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ECONOMIC SECURITY ACT

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

H. R. 4120

No. 9

FEBRUARY 1, 1935

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1. The first of the year was a very cold day, with a heavy snowfall. The wind was from the north, and the snow lay deep on the ground. The trees were all covered with snow, and the houses were also covered. The children were very happy to see the snow, and they went out to play in the snow. They made snowballs and snow forts, and they had a very good time. The snow was very soft, and it was easy to walk on. The children were very happy to see the snow, and they went out to play in the snow. They made snowballs and snow forts, and they had a very good time. The snow was very soft, and it was easy to walk on.

ECONOMIC SECURITY ACT

FRIDAY, FEBRUARY 1, 1935

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The committee met at 10 a. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order.

The first witness on our calendar this morning is Dr. F. E. Townsend, of Long Beach, Calif.

Doctor, will you please give your full name and address and the capacity in which you appear as a witness on the bill we are considering, H. R. 4120?

STATEMENT OF DR. F. E. TOWNSEND, LONG BEACH, CALIF.

Dr. TOWNSEND. Gentlemen, my name is Dr. Francis E. Townsend, of Long Beach, Calif.

The CHAIRMAN. Doctor, about how much time do you think you will require to make your main statement?

Dr. TOWNSEND. Ten to 12 minutes, Mr. Chairman.

The CHAIRMAN. You have the privilege of making your main statement without interruption, if you prefer, after which it is customary for the witness to yield to questions by members of the committee, if that will be satisfactory to you.

Dr. TOWNSEND. Yes.

Mr. HILL. Mr. Chairman, we have been operating under the 5-minute rule. I ask unanimous consent that Dr. Townsend be permitted to proceed for 20 minutes without interruption, if that much time is required to make his main statement.

The CHAIRMAN. Without objection, the request made by Mr. Hill will be granted.

Dr. TOWNSEND. Thank you. Mr. Chairman and gentlemen of the committee, I have prepared a written statement covering the testimony I wish to present to you this morning. This statement will take approximately 10 minutes to read. If it meets with your approval, I would like to read this statement at this time.

The CHAIRMAN. That is entirely satisfactory, Doctor. You may proceed.

Dr. TOWNSEND. Mr. Chairman and gentlemen of the committee, I wish to thank you for the courtesy you have extended me in allowing me to appear before your honorable body in connection with these hearings on the subject of social security. I have been informed that this committee has been very broad in its interpretation of the kinds of testimony which should be heard before it in relation to the particular bill upon which these hearings are being held. I have been told that that particular piece of social-security legislation which is

nearest to my heart, namely, the McGroarty bill, has been the subject of the testimony of several of the witnesses who have appeared before you, including some of the highest public officials in the land.

I, therefore, presume that this honorable committee will permit me to select, as the subject of my testimony, the proposals made in the McGroarty bill, with the understanding that it is my recommendation that the McGroarty bill be substituted for that part of House Resolution No. 4120 which pertains to the subject of old-age pensions.

Much has been said and written of the proposal which has come to be known as the "Townsend old-age revolving pensions plan." Much which has been said and written concerning it has been false and misleading, including certain testimony which has been given before this committee. I refer in particular to the characterization before this committee of my plan as "cock-eyed." Surely a plan which has aroused the intense interest of millions of people of this country cannot be dismissed by the mere characterization of it as "cock-eyed"; not unless the utterer of that phrase wished to go on record as believing these millions of people also to be "cock-eyed."

For the past 5 years the people of the United States have been living in depression. They have been starving in the midst of plenty. They have seen experiment after experiment tried out; experiments which bore the recommendation and hearty approval of men we call "economists." Experiment after experiment has failed. According to statistics released 10 days ago by the International Labor Bureau at Geneva, Switzerland, we now have more unemployed than we did a year ago. Income-tax returns released 6 weeks ago showed that even now, in depressed times, the rich are growing richer and the poor are growing poorer. More than half of our national wealth is now controlled by less than half a million people. From October 1933, to October 1934, real wages of the workers of our country have declined by 2 percent. Yet, in that same period, dividends of the corporations of the country have increased 17 percent.

I have said to the people of America that it is time we tried a new experiment; an experiment which has not had the blessing of the so-called "economists" and is therefore dubbed "fantastic" by them. I say to you gentlemen that every time an economist says this proposal is "lunacy" the people react by sending additional thousands of letters to their representatives in Congress saying, in effect, that the denunciation of the economists is another reason why they insist that their Congressmen and Senators vote for the McGroarty bill. I now submit this proposal to you and beg you, in the name of millions of citizens of the United States, to recommend to the Congress that it be enacted into law. My proposal is as follows:

[H. R. 3977, 74th Cong., 1st sess.]

A BILL To promote the general welfare, to assure permanent employment and social security for all, and to stabilize business conditions through an assured definite and constant circulation of money and credit by the National Government, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be cited as the "Townsend Old-Age Revolving Pension Act."

SEC. 2. That every citizen of the United States, sixty years of age and over, or who shall attain the age of sixty years after the passage of this Act, while actually residing in the United States, shall be entitled to receive, upon application and qualification, a pension in the sum of \$200 per month during the life of the pensioner: *Provided*, That (a) the pensioner shall discontinue and refrain from all gainful competitive pursuits or salaried positions of any kind; (b) the pensioner

shall covenant and agree that he or she will within thirty days of receipt of said pension expend all of the same for goods, commodities, or services within the jurisdiction of the United States; (c) proof of age and citizenship shall be according to the law and procedure of the State of residence of the pensioner; and (d) this pension shall be wholly exempt from attachment, garnishment, or execution.

SEC. 3. There is hereby levied a tax of 2 per centum on the gross dollar value of each business, commercial, and/or financial transaction done within the United States. The President of the United States is hereby empowered by Executive order to increase or decrease the 2 per centum tax by not more than 50 per centum, when in his discretion he deems it advisable, in order to adequately finance the said pension roll. This tax shall be levied in addition to any other Federal tax on goods or commodities. This tax so levied shall be paid by the seller once each calendar month, calculated on the seller's aggregate gross sales, in accordance with rules and regulations to be promulgated by the Secretary of the Treasury of the United States.

(a) It is hereby provided in order to facilitate the collection of this tax that all sellers of goods, commodities, and commercial things of value shall obtain a license upon payment of a fee, the amount thereof to be fixed by the Secretary of the Treasury, who is empowered with full authority to use his discretion as to methods and means of collecting this tax.

SEC. 4. Any qualified pensioner who, for any justifiable reason, has failed to legally receive and disburse said pension, may, upon proper proof, be reinstated and thereafter receive the pension.

(a) All pensioners under this Act shall be permitted to expend not more than 15 per centum of each monthly pension for charity, church, and fraternal organizations.

(b) Pensioners under this Act shall receive no other pension from the United States nor from any State nor any political subdivision thereof, except all disabled war veterans now receiving or who may receive disability allowance, compensation, or pension from the United States Government.

(c) The benefits of this Act shall not accrue to any person while an inmate of an insane asylum, eleemosynary institution, or while under penal sentence in any jail or penitentiary.

SEC. 5. Immediately after the passage of this Act, the Secretary of the Treasury shall authorize all National and State banks, members of the Federal Insurance Deposit Corporation, to credit each properly identified pensioner the first day of each calendar month in the sum of \$200, and said banks shall be reimbursed by the United States Treasury for the amounts so credited to pensioner or pensioners.

SEC. 6. All salaries for individual services are hereby exempted from the tax provisions of this Act.

SEC. 7. Pensions under this Act shall be forfeited or discontinued for the following reasons:

(a) Any person who has been duly convicted of a felony shall be ineligible for this pension for a period of ten years following the completion of his sentence.

(b) Any pension under this Act who is convicted of a felony shall immediately forfeit his said pension.

(c) Any pensioner who violates the conditions imposed by (a) and (b) of section 2 of this Act may be deprived of the said pension.

SEC. 8. The Secretary of the Treasury shall appoint pension boards of three members, who shall constitute a district pension board. No two members of this board may belong to the same political party. Such boards may appoint deputies within their districts. All members of the board shall serve without compensation other than their pensions. Such boards shall have supervision of the administration of this Act in their respective districts and shall be governed by rules and regulations promulgated by the Secretary of the Treasury. A pension board shall be so set up for each county in the United States other the areas of metropolitan cities wherein boards shall be created in each ward or similar political subdivision.

SEC. 9. Any and all oaths or affirmations required under the provisions of this Act may be administered by any officer authorized by the law of any State to take acknowledgements for the conveyance of real property or by any member of a duly constituted pension board as herein provided.

SEC. It shall be a felony and punishable as such for any pensioner or seller as herein described to misrepresent or make a false statement with regard to any provisions of this Act, with intent to defraud the Government of the United States under penalty of a fine of not more than \$1,000 or imprisonment for not more than two years, or both.

That, gentlemen, is the plan which I have presented to the men and women of the United States. That is the plan which has attracted the signatures of millions of citizens of the United States. In this connection, these signatures are mainly those of people under the age of 60 years. Only 35 percent of the millions of names to our petition to Congress are those of people over the age of 60. Our young people have signed this petition in such numbers because they see in this plan the means by which they will be restored to the army of the employed, because they see in this plan the means by which prosperity will come back to our land. The people have had a vision through this plan of an America where employment will be assured every young and middle-aged person who desires to work. They have had a vision of an America, through this plan, where consumption will be constantly raised to the level of our productive ability. Having been shown this vision, do you think the people of America will be denied their right to attain it? I say to you that they will not.

With these people, every knock of this plan becomes a boost. Every time a "bram-truster" says this plan is crazy, a hundred thousand new converts come to our banner. Every time an economist who has had a hand in the job of dragging production down to consumptive levels, by slaughtering livestock and by plowing cotton under, who says our plan is "cock-eyed," means just that much more business for the Post Office Department.

My proposal has been mistakenly called a pension plan. It is a pension plan, plus. The two principal objectives of my proposals are: To solve the unemployment problem, and to bring back prosperity by restoring purchasing power to the people.

The plan is only incidentally a pension plan. The old people are simply to be used as a means by which prosperity will be restored to all of us.

According to the United States Census Bureau, 4,000,000 people over the age of 60 held jobs in the United States in 1930. In order to be eligible for the proposed pension of \$200 a month, these elderly people would be compelled to give up their jobs. This would mean that 4,000,000 jobs would become available to middle-aged and younger people. This is simple mathematics which everyone should be able to understand. It is incomprehensible to me why those whose duty it is to devise ways and means of solving our unemployment dilemma have not embraced this certain method of providing 4,000,000 jobs. In addition to these 4,000,000 jobs which would be made available through this plan, 8,000,000 additional jobs would be created by reason of the demand occasioned by 8,000,000 old people buying \$200 worth of goods and services each month. Even if you become superconservative and cut my figures in half you will still have 6,000,000 jobs made available—more than enough to break the back of our unemployment problem.

It is admitted by practically every student of today that the machines are constantly depriving men and women of the means of earning a livelihood. The day will surely come when machines will do practically all of the toil of the world.

To labor will no longer be necessary, nor will sweat be deemed a badge of honor. Why should it when each year we are discovering new and tremendous sources of mechanical and electrical energy? How can we adjust mankind to the ever-increasing inroad of the

machine? How can we avoid these ever-recurring periods of unemployment?

The plan I am proposing is the only one so far submitted which will painlessly adjust humans to the inroads of the machine. When in a few years time we discover that new and more efficient machines have caused additional millions to join the army of the unemployed it will be a simple thing to lower the age limit from age 60 to age 59 or 58 or whatever age it will be necessary in order to remove the necessary number of people from the labor market.

Gentlemen, I propose that we go a step further than that. I propose that we create and maintain a scarcity of labor through this retirement system so that those people who are not old enough to retire will be in a position to demand and receive decent wages. We all remember the high wages which obtained during World War days because of labor scarcity. The laborer under those conditions received a high wage and went to work in a silk shirt. Yet, on the other hand, our corporations were at the highest peak of prosperity. I say that capital can only prosper when labor prospers. I propose that we make the laborer worthy of his hire and that we keep him prosperous. That organized labor recognizes the great benefit which will result to it from this plan is attested to by the ever-increasing endorsement being given my plan by labor unions throughout the country.

The objection has been raised that this plan is too expensive, that the burden of it would be too much for the country to stand. As if any price were too expensive in return for the coming back of prosperity!

We have already spent countless billions in an effort to bring back prosperity. In their new book, entitled "Economic Consequences of the New Deal", Messrs. Stollberg and Vinton tell us that the Nation will find itself burdened with a debt of from 35 to 40 billion dollars in 1937. Thirty-five to forty billion dollars, gentlemen, the bulk of it spent in a vain hunt for prosperity. Who said we cannot afford to try the Townsend plan?

Moreover, one of the most respected of the "new deal" brain-trusters, Prof. Mordecai Ezekiel, economic adviser to the Secretary of Agriculture, has stated that our country could easily support every man, woman, and child on a \$2,500-a-year standard of living. Stuart Chase says that we can maintain everyone on a \$5,000-a-year standard. My plan simply calls for the trying out of Professor Ezekiel's idea, beginning in a very modest way with 8,000,000 of our worthy old citizens who deserve comfort and ease in their sunset years.

Who said we cannot afford it? In 1929 we produced \$81,000,000,000 of goods and services. In that same year we could have produced \$181,000,000,000 worth of goods and services if we had really tried, according to no less an authority than David Cushman Coyle.

Gentlemen, if we persist in our crazy plan of starving in the midst of plenty, of tearing down production, of slaughtering millions of hogs, of interfering with the economic laws of God, we deserve to remain in the depression forever. I say to you today that millions of American citizens have in the last few months determined that this condition shall no longer exist. As their representative, I here and now ask that you accede to their wishes and recommend the McGroarty bill to the Congress for enactment into law. It is only fair to state that they are watching closely your actions and will be guided accordingly.

I have been told that you are interested in figures, that you want detailed proof as to the workability of this plan, that the mere obvious feasibility of it is not enough. I myself am not a statistician. I am not even an economist, for which fact millions of people have expressed thanks. I am simply a country practitioner of medicine.

I have felt in my heart that this plan was fundamentally sound. I have left it for the statisticians and the actuaries to prove its soundness and feasibility from the standpoint of mathematics.

At this time I respectfully petition you, Mr. Chairman and gentlemen, for the privilege of having the actuary of the old age revolving pensions movement appear before your body and present to you the statistical proof and figures which will sustain the philosophy I have enunciated before you this morning. He is Mr. Francis Cuttle, Riverside, Calif., and is a noted actuary of that city. If you grant him the privilege of appearing before you, he will, I know, give you every possible figure you could ask for.

I, myself, could present these details to you, but I feel that Mr. Cuttle is splendidly qualified to do this job. I was so anxious to present my philosophy to you on behalf of the men and women of America that I left a hospital bed at Johns Hopkins Hospital this morning in order to be here. I had to pledge the physicians there that I would not unduly exert myself today and that I would return to Johns Hopkins within a few hours. I therefore beg to be excused from the wearing process of answering questions relative to the details of my plan and in the name of millions of people respectfully petition you to grant time to Mr. Cuttle so that he can answer every possible question of the most severe critic of my plan.

Mr. Cuttle will arrive by plane in Washington tomorrow.

I thank you.

Mr. HILL. Doctor, do I understand that the state of your health is such that you do not believe you should subject yourself to the ordeal of answering questions by the committee this morning?

Dr. TOWNSEND. I respectfully request that consideration, that I be excused from answering questions.

Mr. HILL. And that you ask that Mr. Cuttle take your place now for the purpose of answering questions

Dr. TOWNSEND. Unfortunately, Mr. Cuttle's departure from home has been delayed, and he will not arrive until tomorrow. If it is the insistence of the committee, however, that a statistician be heard, we have a gentleman here who can substitute very well for Mr. Cuttle; a Mr. Hudson.

Mr. HILL. Mr. Cuttle will be here tomorrow?

Dr. TOWNSEND. Yes.

Mr. HILL. Will he be here tomorrow morning by 10 o'clock?

Dr. TOWNSEND. He will arrive on a plane that is scheduled to arrive here tomorrow afternoon.

The CHAIRMAN. The Chair does not think it would be practical to undertake to hold a session tomorrow afternoon, especially when we do not know what time the witness mentioned will be here. It would depend on the time of arrival of the airplane. Incidentally, tomorrow is Saturday, and it has been the practice of the committee in these hearings not to hold sessions on Saturday afternoon.

Mr. HILL. Mr. Chairman, I ask unanimous consent that Mr. Cuttle may appear here in conformity with the suggestion of Dr. Townsend,

to respond to questions that may be propounded by the committee relative to the features and provisions of H. R. 3977, which is the McGroarty bill, and which embraces, as I understand it, Dr. Townsend, the so-called "Townsend pension plan."

Dr. TOWNSEND. Yes; that is correct.

Mr. HILL. I make that unanimous-consent request, Mr. Chairman.

Mr. TREADWAY. When will the witness be heard?

Mr. HILL. Monday morning at 10 o'clock. He will be here then at that time, will he?

Dr. TOWNSEND. Yes.

The CHAIRMAN. Mr. Hill asks unanimous consent that Mr. Cuttle, whom Dr. Townsend suggests take his place to answer questions to be propounded by the committee on this plan, be heard Monday morning at 10 o'clock.

Is there objection?

(There was no objection.)

Mr. HILL. May I make this observation, Mr. Chairman?

Dr. Townsend, would it be your pleasure to reappear here some time when your health is better, to respond to questions by the committee?

Dr. TOWNSEND. I shall be most happy any time that I am released from the hospital, to appear before the committee.

Mr. HILL. It may be that the committee may want to ask you some questions that perhaps other witnesses would not be in a position to answer. I want to assure you that this committee is treating this subject most seriously, and we want to get all the information that can be obtained relative to your plan, both as to the technical provisions of the bill itself and also such information as you may be able to give as to the economic effects of it, if put into operation.

Dr. TOWNSEND. I shall be most happy to answer any questions within my power.

The CHAIRMAN. The Chair should like to add to the statement made by Mr. Hill that it is the purpose of the committee to cover the entire field of old-age pensions. There is a provision in the bill dealing directly with old-age pensions, and it is the purpose of the committee to cover that field and make a thorough investigation of it, give hearings to all parties who desire to be heard on that provision in the bill.

Dr. TOWNSEND. It is very gratifying to me to be assured of that. Thank you, gentlemen.

Mr. HILL. It is understood, then, that Mr. Cuttle will be here Monday morning at 10 o'clock?

Dr. TOWNSEND. Yes.

Mr. HILL. Mr. Chairman, with reference to the calendar today, Mr. Samuel W. Reyburn, president of the National Retail Dry Goods Association, and Mr. Hutzler, vice chairman of a committee appointed by that association, were placed on the calendar inadvertently for tomorrow. Mr. Reyburn has engagements which will necessitate his being in New York tomorrow and, of course, he cannot be here. I am sure the committee would like to hear from this association, and therefore I ask unanimous consent that Mr. Reyburn and Mr. Hutzler be called at this time.

Mr. VINSON. Do I understand that they were placed on tomorrow's calendar through mistake?

Mr. HILL. Yes, sir. Mr. Reyburn was placed on the calendar for tomorrow by mistake. He cannot be here tomorrow, and he wanted to be heard today, if possible. He is here now. I understand his testimony will not be very extended. It will not take a great deal of time to hear him.

The CHAIRMAN. Mr. Hill asks unanimous consent that at this time Mr. Reyburn be heard, to be followed by Mr. Hutzler. If there is no objection, we will hear Mr. Reyburn at this time.

Mr. Reyburn, please give your name and the capacity in which you appear.

STATEMENT OF SAMUEL W. REYBURN, REPRESENTING THE NATIONAL RETAIL DRY GOODS ASSOCIATION, NEW YORK CITY

Mr. REYBURN. Mr. Chairman and members of the Ways and Means Committee, I am here representing the National Retail Dry Goods Association. It is an association of about 5,480 stores. Membership comes from all the States of the Union. Those stores do probably \$3,500,000,000 of business, and they employ something like 700,000 people. They are in very, very close contact with the consumer.

Retail stores, as a rule, are not concerned about political problems unless they get to be very big problems, and unless they affect the people, their customers.

Among the members of this association are a great many men who have studied this problem for a number of years. However, a wide and intensive study of it was begun last summer. As a result of that study, the minds of a great many of the members of this association met and at a recent convention they adopted a resolution. We have had copies printed and brought here to you.

The amazing thing about that resolution which was adopted one day before the President's message was delivered, was the great similarity between the suggestions therein and many of the provisions suggested by the Economic Security Committee. However, there are some differences and we wish to call your attention to some of them. But it is not my province to do that. I am probably enough of a lawyer to know that the credibility of a witness should be tested, and I am here to speak of the association's interest, to give you this pamphlet, to quote a few passages from it, and then I want to ask you to hear another merchant.

I might say that as a merchant I am interested in 8 stores, one as far west as Minneapolis; another one in Louisville, Ky.; another one in Baltimore, Md.; and 2 in Buffalo, N. Y.

I think the man who will follow me, who is a merchant from Baltimore, where he was born, where his father and mother were born, and where they have been in this business of retail distribution for at least two generations, Mr. Hutzler, has appeared before a subcommittee of this committee on this subject. I think it was last spring. He is one of the students among the merchants who has given this question serious attention for some years.

I am only going to say a few more words, and then I would like the committee to hear him. This is what I want to say, and it is a quotation from this pamphlet:

We merchants believe that the United States has sufficient resources, productive capacity, human energy, and skill, to provide at least a

fair minimum standard of life continuously for all of its people. The relations of the United States with the rest of the world are tranquil. It is not torn by internal political or class strife. There is no natural basis for the present disorganized state of economic affairs. All conditions exist for renewed prosperity and progress.

While unemployment reserves will take the first brunt of cyclical depression, full plans should be made ready for public works and for measures of relief that will more promptly than has been the case in the present depression, restore the purchasing power upon which industry depends. We are in sympathy with the efforts being made by the Federal Government, in cooperation with the States, to plan constructive public projects for the future.

No matter how just a plan may be, nor how skillfully its other provisions may be drawn, it cannot survive an unsound administrative arrangement. The administrative agency in the State charged with the disbursement of the funds accumulated for unemployment benefits should be a nonpolitical commission responsible to no other administrative agency save only to the governor, and with no other duties whatsoever. The law should be specific as to the rules under which the Commission should operate, and latitude for administrative discretion, although generally wise, should here be rigorously limited. The unemployment-reserve fund, in our opinion, should be built up by contributions by the employer, the employee, and the State. The State should contribute at least the expenses of administration, in order that the full amount contributed by employers and employees may be available as benefits.

In the initial stages, the contributions from the various industries and establishments should be at the same basic rate. As soon as experience with the incidence of unemployment is built up, within 2 years, provision should be made whereby differential rates can be established. This would be an inducement to employers to exercise their ingenuity and initiative in stabilizing employment, and would discourage them from throwing workers upon the unemployment fund as a measure of labor economy. The incentive to regular employment will be greatly augmented by the differential in the rates.

Gentlemen, I thank you very much, and I should like to introduce Mr. Hutzler.

Mr. HILL. What do you mean by differential rates?

Mr. REYBURN. You take, for instance, newspapers, banks, retail stores; perhaps many service corporations having more continuity of regular employment—in fact, in retail stores there is not so much unemployment as there is extra employment. While we know that all of those agencies should contribute something to those manufacturers who cannot, in the very nature of things, maintain a continuity of employment, still we do not think we ought to be on an equal basis. We should make some contribution for the general welfare, but I do think it is a wise provision for you gentlemen to make these distinctions.

Mr. HILL. How are you going to classify them; how are you going to make the distinction?

Mr. REYBURN. I think that would be quite easy, with this 2 years of collecting and 1 year of distribution. You will find out a great deal

in that time. We could furnish you a great deal of evidence now, and I imagine the newspapers can.

You take a newspaper. Probably 50 percent of its revenues goes in pay rolls. You take most retail stores. Probably 20 percent of their revenues go in pay rolls.

Whatever tax you make is going to increase their expenses, or contributions, I believe it is called. It will be a very big contribution for the newspapers.

If they can maintain a regular employment, they ought to get the benefits of it to some extent. We do not object to these favored classes. They have not arrived at that state of employment conditions of their own merit. It is a social condition that brings it about. But, at the same time, their margin of profit is small and they are contributing a service to society and we think that that distinction ought to be made.

It is made in life insurance; it is made in fire insurance. In fire insurance my information is that there are four or five basic rates. Then, each business is classed within those rates, and then there are certain other hazards, and the final rate is built up by considering those. We think that principle would apply here.

Mr. HILL. What general language could be used in the bill that would enable the administrator of this unemployment-compensation fund to determine who would be entitled to these differential rates? Can you fix that for us?

Mr. REYBURN. That can be fixed by experience, just as the fire-insurance rates are fixed now. As a matter of fact, these companies can give you a lot of information right now from their studies. Of course, to have a flat rate for 2 years, at the end of that time you will begin to get your official evidence which will be very much more convincing to the public.

Mr. VINSON. Will the gentleman yield to me there?

Mr. HILL. In just a moment. I have one more question, and then I shall be glad to yield.

Speaking of these preferential or differential rates, you have in mind the tax that is to be levied?

Mr. REYBURN. Yes.

Mr. HILL. I yield now to the gentleman from Kentucky.

Mr. VINSON. As I understand it, this plan, entitled "Retailers' Economic Security Plan", was adopted at the twenty-fourth annual convention of the National Retail Dry Goods Association?

Mr. REYBURN. Yes, sir.

Mr. VINSON. On January 15, 1935?

Mr. REYBURN. Yes, sir.

Mr. VINSON. That was just prior to the President's message and the introduction of the basic bill.

Mr. REYBURN. Yes; and they would not give us any information about what was contained in their report. We did not know what they were going to report.

Mr. VINSON. Have you made a request that this plan be incorporated in your statement?

Mr. REYBURN. I should like to have that done.

Mr. VINSON. I think it would be well to have it.

The CHAIRMAN. Without objection, it will be made a part of the record.

(The document referred to is as follows:)

RETAILERS' ECONOMIC SECURITY PLAN

GENERAL

The United States has sufficient resources, productive capacity, human energy, and skill to provide at least a fair minimum standard of life continuously for all the people. The relations of the United States with the rest of the world are tranquil. It is not torn by internal political or class strife. There is no natural basis for the present disorganized state of economic affairs. All conditions exist for renewed prosperity and progress.

All production and consequent employment is in response to current or expected consumer demand. Effective demand can occur only when the consumer has money or credit. But only through production and distribution can the money or credit which is necessary to create consumer demand become available. Distortion in these relations causes the vicious circle of expansion and depression.

The objective of this study is to explore certain suggestions that have been made for general economic security. These cover the hazards of unemployment, old age, sickness, disability, and dependency. Any plan must meet the test of practicability. In the last analysis, this test is the effect of any proposed measure in breaking the vicious circle of expansion and depression. Powerful influences that will protect society against the dislocation caused by these economic extremes must be sought, both by the Government and by business.

We must distinguish between a desired objective, with respect to economic security, and the necessities caused by the situation in which we find ourselves. With respect to the administration program for meeting the present situation on an emergency basis through providing, as proposed by the administration, work when possible, and relief when necessary, we are in accord. But we must not permit ourselves to accept these emergency measures as permanent solutions.

Our objective should be to give the worker work and through adequate reserves and insurances protection against the hazards of unemployment, old age, sickness, disability, and dependency. Unfortunately, the building up of reserves for each of these purposes reduces purchasing power, particularly in its initial stages. This, however, should not cause us to delay the development of programs, nor should it prevent us from taking the initial steps and of progressively increasing a general program of economic security.

UNEMPLOYMENT RESERVES

The purposes of unemployment reserves are to alleviate the shock of unemployment, to increase continuity of employment, and to aid in the stabilizing of consumption.

Unemployment reserves can be built up which will take care of unemployment resulting from seasonal and other variations in the use of the products of an industry, from technical improvements in the methods of production, and from the initial effects of cyclical unemployment. Such reserves can be made to apply to the large majority of industrial and commercial workers. A program of unemployment reserves, to be of national benefit, must be created by Federal law. Such law must result in eliminating undue benefits for particular States that might be unwilling to meet a minimum national standard. At the same time it should be flexible enough to allow for administrative variation, to correspond with local needs and preferences, and to provide much needed practical experimentation.

The unemployment reserve fund, in our opinion, should be built up by contributions by the employer, the employee, and the State. The State should contribute at least the expenses of administration in order that the full amount contributed by employers and employees may be available as benefits.

In the initial stages the contributions from the various industries and establishments should be at the same basic rate. As soon as experience with the incidence of unemployment is built up, provision should be made whereby differential rates can be established. This would be an inducement to employers to exercise their ingenuity and initiative in stabilizing employment, and would discourage them from throwing workers upon the unemployment fund as a measure of labor economy.

No matter how just a plan may be, nor how skillfully its other provisions may be drawn, it cannot survive an unsound administrative arrangement. The

administrative agency in the State charged with the disbursement of funds accumulated for unemployment benefits should be a nonpolitical commission responsible to no other administrative agency save only to the Governor, and with no other duties whatsoever. The law should be specific as to the rules under which the commission should operate, and latitude for administrative discretion, although generally wise, should here be rigorously limited.

All funds reserved for unemployment benefits should be deposited with an appropriate Federal agency, so that the effect of these accumulations on the general monetary position can be adequately safeguarded. No one can foretell the exact effect of these accumulated funds at different phases of the credit cycle. No one except the Federal Government should be asked to assume responsibility for the solvency of these funds.

A plan of unemployment reserves presupposes an efficient and widely distributed system of public-employment offices. In recent months there has been a certain improvement of this important public service, but further progress must be made to meet the needs that will arise. The Federal Government should continue its interest and support of State public-employment offices, and should be supported in its efforts to provide a workable Federal-State system.

While unemployment reserves will take the first brunt of cyclical depression, full plans should be made ready for public works, and for measures of relief that will more promptly than has been the case in the present depression, restore the purchasing power upon which industry depends. We are in sympathy with the efforts being made by the Federal Government, in cooperation with the States, to plan constructive public projects for the future.

OLD-AGE SECURITY

We must distinguish between—

(a) The development of a plan for insurance at old age for those still in the prime of life; and

(b) The immediate problem of relieving the condition of persons already of advanced years.

The huge liability already existing with respect to the latter group precludes the consideration of ordinary insurance for it. The necessary relief to the present aged can be given only as old-age pensions, not as insurance, and public funds must be drawn upon to provide these pensions.

We suggest a program of Federal and State cooperation, in the provision of the resources necessary for pensions, with flexibility that will permit each State to arrange the terms and conditions in accordance with local needs.

Old age is a universal hazard. No program of old-age insurance should be contemplated which does not make provision for every citizen. If in the near future a program of old-age pensions can be adopted, there will then be time to consider the more difficult problem of setting up a plan of old-age insurance, which eventually should come.

PROVISIONS FOR SICKNESS AND DISABILITY

The losses to the individual and to the community from sickness and disability are in the aggregate very large. No plan for economic security can in the long run ignore these losses. We believe that, in principle, insurance against such losses is so sound that there should be no delay in the working out of concrete legislative proposals to effectuate this purpose. We advocate the appointment of a Federal Commission to study this problem with an open mind, as respects the needs and possibilities for the people of the United States, and to report definite recommendations that can be put into practice as soon as conditions warrant.

MOTHERS' AND WIDOWS' PENSIONS

In spite of the increased economic security that the above measures will provide, there remains the problem of the dependents of the deceased workers' family. We have in this country at the present time an established tradition with respect to mothers' and widows' pensions. Unfortunately, these pensions are less general than is desirable. We suggest that the Federal Government, in cooperation with the States, establish minimum standards of benefits, toward which the Federal Government⁺ may make an appropriate financial contribution.

RELIEF AND WELFARE

We realize only too well that after all the mentioned hazards have been taken care of, there remain many people for whom relief is necessary. We agree with the administration that these should be provided for by each individual State, in accordance with recognized social-service standards.

We submit these views in the hope that they will be helpful as representing the point of view of a large body of American business.

NOTE.—The committee which prepared this plan was appointed by the president of the National Retail Dry Goods Association, with the authority of the executive committee, at a meeting held on January 3, 1935. The members of the committee are Percy S. Straus, R. H. Macy & Co., New York, N. Y., chairman; F. W. Aldred, Gladding's, Inc., Providence, R. I.; C. B. Clark, The J. L. Hudson Co., Detroit, Mich.; Lew Hahn, New York, N. Y.; Albert D. Hutzler, Hutzler Bros. Co., Baltimore, Md.; Edgar J. Kaufmann, Kaufmann Department Stores, Inc., Pittsburgh, Pa.; Louis E. Kirstein, William Filene's Sons Co., Boston, Mass.; Fred Lazarus, Jr., The F. & R. Lazarus & Co., Columbus, Ohio; Ward Melville, Melville Shoe Corporation, New York, N. Y.; Frank H. Neely, Rich's, Inc., Atlanta, Ga.; Dr. Paul H. Nystrom, Limited Price Variety Stores Association, Inc., New York, N. Y.; David Ovens, J. B. Ivey & Co., Charlotte, N. C.; Samuel W. Reyburn, Associated Dry Goods Corporation, New York, N. Y.; Oscar Webber, The J. L. Hudson Co., Detroit, Mich.; Gen. R. E. Wood, Sears, Roebuck & Co., Chicago, Ill.

Mr. VINSON. I understand you to say that if you had a differential rate the experience would determine just how these divisions would be made.

Mr. REYBURN. Yes.

Mr. VINSON. Is not that in conflict with your own printed plan?

Mr. REYBURN. No; it is in there.

Mr. VINSON. Let us see. On page 4, paragraph 4, you say—and this is under the heading "Unemployment reserves"—

In the initial stages, the contributions from the various industries and establishments should be at the same basic rate. * * *

Mr. REYBURN. That is right.

Mr. VINSON (reading):

As soon as experience with the incidence of unemployment is built up, provision should be made whereby differential rates can be established.

Mr. REYBURN. That is true.

Mr. VINSON. Is not that exactly the reverse of what you said?

Mr. REYBURN. No.

Mr. VINSON. Your plan here suggests that the contributions from the various industries and establishments in the beginning should be at the same basic rates and then a study would be made, with the experiences of the initial stages at hand, and then the differential rates might apply.

Mr. REYBURN. I have put a time element in it that is not contained in this resolution—

Mr. VINSON. How is that?

Mr. REYBURN. I put a time element of 2 years in this, because your bill seems to indicate that you are going to run on the same basic rates for 5 years.

Mr. VINSON. This plan here does not say anything about 2 years. This plan says that in the initial stages the same rates should prevail on all employment and then after that initial stage, which now, since this plan was adopted, you think should be 2 years, the differential rate might be determined.

Mr. REYBURN. Since this was adopted—

Mr. VINSON. Since what was adopted?

Mr. REYBURN. Since this resolution was adopted, this bill was introduced in Congress, and it seems to us that is going to allow the initial rate to run for 5 years and we think that is too long. We think it will work an injury not only to industry but to the public.

As I said in the last two sentences of my other statement, "This would be an inducement to employers to exercise their ingenuity and initiative in stabilizing employment, and would discourage them from throwing workers upon the unemployment fund as a measure of labor economy. The incentive to regular employment will be greatly augmented by the differential in the rates."

The merchants who have met since your bill was introduced, and who have tried to compare the bill with this resolution, think that 5 years is too long a period and that you would have a 3-year period there that would be unnecessary; that you can get your experience statistics out of records that already exist and out of records that will be accumulated by the States and the Federal Government that will enable you to act.

Mr. VINSON. Have the differential rates at the beginning, you mean?

Mr. REYBURN. Have the differential rates in 2 years.

Mr. VINSON. Did you make that statement a moment ago?

Mr. REYBURN. Oh, yes. I think a moment ago I said—

Mr. VINSON. I mean before my inquiry. I was listening very carefully, and I got the impression that your statement, which I assume to contain conclusions reached since the preparation of this report—

Mr. REYBURN. Yes.

Mr. VINSON. Was in direct conflict with the printed language of the report.

Mr. REYBURN. No. It is quite consistent with it.

Now, Mr. Chairman, a special committee was appointed, and perhaps I might read the names of the merchants who were appointed to it—to represent this association at this Ways and Means Committee. I am chairman of it, Samuel W. Reyburn. Mr. Albert D. Hutzler is vice chairman. We wanted to have two, so we could take advantage of your calendar, whenever you gave us the opportunity to appear. If I was in Chicago, perhaps he would be in Baltimore and could get here quickly. You see, we are representing a lot of people when we come here.

Louis E. Kirstein, of Boston; Frank H. Neely; Beardsley Ruml, of New York; and Edgar Kaufmann, of Pittsburgh.

We would have had a larger and more widely scattered committee, except it is so hard to get merchants to attend meetings.

Mr. VINSON. Let us get back to this differential rate, if you will.

Mr. REYBURN. Yes.

Mr. VINSON. Do I understand you now to say that it is the conclusion of your organization and the committee that has been designated to appear here for them, that through the initial stages, for a period of 2 years, you now say, the contributions from the various industries and establishments should be at the same basic rate?

Mr. REYBURN. Yes, sir; for those 2 years. If you would insert the words in this economic-security plan "within 2 years", right

after the word "up" in that fourth paragraph, that would meet it. We think 5 years, indicated by the bill, is too long, and it will not do the public any good, and it may do a great many worthy distributors and producers some harm.

Mr. HILL. I want to ask just one more question: When you say that the unemployment reserves should be built from a tax on the employer and a tax on the employee and from contributions by the State, do you mean the fund that the State itself builds up or do you have reference to this Federal fund?

Mr. REYBURN. I mean both the Federal and the State; they must cooperate, in our opinion.

Mr. HILL. This plan contemplates that the State itself shall set up a system of unemployment insurance.

Mr. REYBURN. I think you are very wise in being concerned about free employment agencies. I think they ought to be fairly uniform throughout the country. I think Congress ought to continue to stimulate an interest in that and help the State to get this law over. We have a great economic and social reform before us, and we do not want to fail.

So it ought to start out as efficiently as possible in the beginning and the Federal Government has got to keep up an interest in it, and every State government, and with them every county and village, must be interested in it.

Mr. HILL. Do you approve the general plan?

Mr. REYBURN. Oh, I should have said that in the beginning. You will see that the resolution that we adopted does approve your general plan, and we only are here today to make a few suggestions. I think Mr. Hutzler can make those better than I can. I do not want to monopolize all this time. I want to get some of these other merchants here, and I will get as many as you will allow me, if you give me the time.

Mr. TREADWAY. I should like to ask one or two questions. I understood you to say that your organization has 5,480 stores.

Mr. REYBURN. Yes.

Mr. TREADWAY. And employs 700,000 people?

Mr. REYBURN. That is—

Mr. TREADWAY. Roughly.

Mr. REYBURN. That is just an estimate, but I think that is right; it may be 600,000, it may be 750,000.

Mr. TREADWAY. I just wanted to be sure that I understood you.

Mr. REYBURN. Yes, sir.

Mr. TREADWAY. You say you are connected with a half dozen stores yourself?

Mr. REYBURN. Eight stores.

Mr. TREADWAY. I suppose, then, that this figure of 5,480 does not represent that many actual owners or groups, but individual stores.

Mr. REYBURN. Oh, yes. Our stores are members. They each have separate membership.

Mr. TREADWAY. How many of these stores or employees have any old-age or other employment insurance?

You said you did not have much unemployment.

Mr. REYBURN. Yes. We have more extra employment.

Mr. TREADWAY. That is, you put on extra clerks now and then. In other words, you have a basic crowd.

Mr. REYBURN. The basic crowd is kept pretty well through.

Mr. TREADWAY. Irrespective of the actual flow of business?

Mr. REYBURN. That is, it is a fairly uniform flow of employment. But at Easter, for example, we employ extras, and at Christmas we employ extras.

Mr. TREADWAY. So that the unemployment feature of the bill before us is not the main factor in your appearing as a witness here. That is the aid in the matter of unemployment that this bill covers.

Mr. REYBURN. We have specialized on unemployment in our studies in the last few months. A great many of us have taken in the whole comprehensive program.

Mr. TREADWAY. That is, the whole of the program that you submit here?

Mr. REYBURN. Yes.

Mr. TREADWAY. I understood you to say that while this program, to a very large degree, covers the same ground as the President's message—

Mr. REYBURN. It does.

Mr. TREADWAY. It was entirely independent, and you had no knowledge of what was to be contained in that message?

Mr. REYBURN. We could get no knowledge of what they thought. I tried a number of times, and I think other merchants did.

Mr. TREADWAY. What I am driving at is this. How many employees of your 700,000 are today receiving benefits through your organization, either of unemployment or old-age security?

Mr. REYBURN. I could not tell you that. I should say that the margin of profit is so thin with so many of them that perhaps some of them have no general provisions at all. But a great many, and most of the old stores, the large stores, have pension policies and pension a great many people.

Mr. TREADWAY. Let us take an illustration. We all know of Woodward & Lothrop, we all know of Garfinckel's. Take half a dozen of the large concerns right here in Washington. Have they any special form of unemployment or old-age insurance or pension?

Mr. REYBURN. I cannot tell you about them. I did not gather statistics of that kind. You must remember that only the stores that have been prosperous, that have been far enough ahead of the sheriff to have something to pay, have done that. All the stores that I represent have paid pensions for the last 21 years that I have been at the head of the organization.

Mr. TREADWAY. What percentage?

Mr. REYBURN. A very small percentage, because we keep people that are pretty old; many of them can do duties around the store until they are—well, I think we sometimes keep them on the regular pay roll until they are 75 years old. None of them ever want to go on a pension.

Mr. TREADWAY. You do not force the retirement unless the mental or physical condition of the employee makes it necessary?

Mr. REYBURN. Unless they begin to injure business. Sometimes you will find that a man or woman at 55 gets so that they offend or antagonize more customers than they please, and you have to take them out. You give them a pension, or maybe you help to get them a job somewhere else.

Mr. TREADWAY. Are those systems that are in force in your stores, for instance, contributory?

Mr. REYBURN. No.

Mr. TREADWAY. Contributory on the part of the employer and the employee both?

Mr. REYBURN. No. We have never asked employees to contribute, and the reason for that in my organization is this: I took charge of stores that had been operating a long time, and they were operating under charters to do business. As a matter of fact, the officers and directors had no authority to contribute any money to pensions, and they only do it as an employment policy; it helps the efficiency of those people who remain. But all the assets are at the risk of the business, and to promise a plan and make other people contribute to it might put us in the position that the Armour Packing Co. got into when they got into financial difficulties. Their employees and the public generally had bragged about their great pension system for years, and when the company failed it was gone.

We never could under our charter make a contract of that kind, and we have not done it. So even the assets that we pay these pensions out of are at the risk of the business; and if we should fail, the pensions, of course, would stop.

Mr. TREADWAY. In other words, you are not setting up a reserve.

Mr. REYBURN. No.

Mr. TREADWAY. Such as we were told about yesterday. We had a gentleman here yesterday afternoon who described various wholesale establishments. There were two classes. He described two classes—those that had a reserve and those that did not. Your class of business has no reserve for emergencies in the future.

Mr. REYBURN. And no other businesses that do business on a small margin of profit have. Those reserves have been set up in a good many companies. They have many manufacturers who are, perhaps, protected in patents and in other ways who have those reserves. My contention has always been that it ought not to be the promise of the company that is engaged in trade. It ought to be a segregated amount to be set aside and controlled, like insurance funds are controlled, under the supervision of the State.

Mr. TREADWAY. Assuming that you represent the stores employing 700,000 people, how many of that number are there who would come under the provisions such as you have in your store, of a similar nature, elsewhere?

Mr. REYBURN. We have no figures on that.

Mr. TREADWAY. You would not know?

Mr. REYBURN. We do not know.

Mr. TREADWAY. Whether it is 100,000 or 50,000 of those employees?

Mr. REYBURN. Many of us have studied the records of the past 2 or 3 years—

Mr. TREADWAY. So that your recommendation to this committee is one of study of the problem rather than of practical experience with it?

Mr. REYBURN. Yes.

Mr. TREADWAY. Is that correct?

Mr. REYBURN. I think we can make a start. But I think a lot of people have got to be concerned with the study of it.

Mr. TREADWAY. I would like one expression from you in relation to your memorandum. At the bottom of page 4 there is this sentence:

The law should be specific as to the rules under which the commission should operate, and latitude for administrative discretion, although generally wise, should here be rigorously limited.

Mr. REYBURN. That is true.

Mr. TREADWAY. Whether you are referring to the manner in which it would be governed by the States or the Federal Government is not quite plain, but I am under the impression that you are referring to the State administration.

Mr. REYBURN. Well, to both of them. Your law that will encourage this sort of legislation in the States should be concerned enough about what the State does to see that they get sound policies in that cooperation.

Mr. TREADWAY. That leads me to ask your opinion as to a provision that is incorporated in this draft before us, which I judge you have examined with some care. In general, the idea is that the Government will make a contribution of \$15 to match \$15 by the State, and that they could extend that as much higher as they wanted to go.

Mr. REYBURN. You are talking about pensions now.

Mr. TREADWAY. Either system. Let us get your idea on the general proposition.

The bill itself carries with it the idea of leaving the regulatory features to the States.

Mr. REYBURN. That is true.

Mr. TREADWAY. The language so far as the Government is concerned is pretty broad, but there is a provision that the States must comply with the Government regulations.

Mr. REYBURN. Yes.

Mr. TREADWAY. Do you approve in toto that program?

Mr. REYBURN. Yes; we are in accord. We think the States, and even we ought to go down to the county. For many years I have been a director of the A. I. C. P. of New York. That is the Association for Improving the Condition of the Poor.

Mr. TREADWAY. That is an alphabetical list we have not had around here. I thought we had all the possible combinations.

Mr. REYBURN. I think that set the example for you. That was started five or six generations ago. They began to use the alphabet then.

Mr. TREADWAY. Yes.

Mr. REYBURN. So there is nothing new in your recent invention down here. It is like everything else; it has been used before. But there we have had this problem up, and I think it is the belief of the committee that studied it that even the administration of pensions ought to go down to the county units, because there are many counties there where a pension of \$25 or even a pension of \$20 would maintain a person in that degree of social security and economic security that they have always had and that the neighborhood is used to. I think that is the general belief of those people that studied it.

Mr. TREADWAY. I gather, then, Mr. Reyburn, that your approval of this program, as a representative of the dry-goods business of the country, is one of general approval, from experience, that you have done this thing yourselves.

Mr. REYBURN. Oh, yes.

Mr. TREADWAY. The gentleman I was speaking of a moment ago brought in a suggestion to us yesterday that we exempt these companies from the tax levied in this bill because they have set up their own programs and it would be in the form of double taxation if they kept up their pensions, health provisions, and so forth. But your experience as a dry-goods man is a little different from that?

Mr. REYBURN. Yes.

Mr. TREADWAY. You are urging this on the Government and the State?

Mr. REYBURN. National and State action; yes.

Mr. TREADWAY. In order that your employees may be benefited. Have you ever carried out these provisions and found out whether or not it is practical?

Mr. REYBURN. I think this—this is my personal opinion; I have no right to speak for all these other men—that any organization that is making a big profit and can be more generous to its employees than the law requires is helping society. They ought to be permitted to do that any time, provided they segregate those assets and do not leave them at the risk of their business.

Mr. TREADWAY. That is getting to be a pretty complicated proposition when you talk about high profits. I am afraid the pensioners would be suffering right now if they were all based on high profits of the last few years.

Mr. REYBURN. That is true. But there still are companies that for years—I think the Eastman Kodak Co. has had some system for a number of years, and with the money they made they have been more generous. The result of it was they probably got better employees. And Ford, with his great profits—you can remember several years ago when he raised wages. He got a tremendous advantage out of it, and finally, all employees were benefited by it.

Mr. TREADWAY. Thank you.

Mr. VINSON. In the case of Armour & Co., to which you have referred, there was no segregation of funds there?

Mr. REYBURN. No segregation of funds.

Mr. VINSON. And when business went down the pension went down?

Mr. REYBURN. The pension went down; yes.

The CHAIRMAN. Thank you, Mr. Reyburn, for your appearance and for the information you have given the committee.

STATEMENT OF ALBERT D. HUTZLER, REPRESENTING THE NATIONAL RETAIL DRY-GOODS ASSOCIATION

Mr. HUTZLER. I am vice chairman of Mr. Reyburn's committee. Mr. Reyburn told you of the result. You have been reading that. I wish the whole thing could have been read. It was interesting to see how closely the document follows the bill, both in spirit and, in many places, in recommendation. There are many titles in the bill that might have been written by the retail committee itself; for instance, the whole subject of child welfare, the maternal and child care. Assistance to those who are now old was so substantially in accord with the document of the retail association that there is no

need in our short time to discuss any details on which we might differ.

However, as far as the problem of health is concerned, this does not go as far as the retailers' platform. We understand that there is a special commission studying health insurance. We feel that that is important to be followed up.

As far as the question of old-age insurance for those who are not yet old, when we had our meeting and after our various studies, we were somewhat stumped. The problem has not been developed as far as the other subjects, particularly unemployment insurance. While studying the provisions of this bill, we feel that the framers of the bill were up against the same obstacles. We notice, for instance, that the coverage is incomplete, although the entire population grow old and many of them need it. We notice that the funds are raised by a tax on pay roll, which, when superimposed upon payments to unemployment reserves, will create a real encouragement to the employer to install labor-saving devices. There is no relationship whatever between growing old and employment.

Because of the deflationary effect of this item, because it is not necessary to include it immediately if the old-age assistance for those who are now not old, which is provided in other parts of the bill, is adopted, and because of the long time necessary to whip this section of the bill into proper shape, we think it might be well to divorce this question of the old-age insurance from the bill. If we do this, then we can speed up the other sections of the bill before the legislatures adjourn, and we can get a real start for our social-security program.

The unemployment insurance generally notes that the spirit is the same as that shown in the retailers' resolution, but there are several points we consider important that we would like to bring to your attention. The retailers have been studying this subject for some time, and we feel that contributions to any fund for this purpose should be made by the employer, the employee, and the State, the State contributing from general tax funds at least the amount necessary for administration in order that the full sum contributed by the employer and the employee should be available for benefits.

The way this bill is drawn seems to us to discourage the States from adopting plans providing this 3-way contribution.

The retailers realize that unemployment insurance can bear only the initial part of a depression and must be supplemented by public works. As Mr. Reyburn has said, we feel that our program for the next depression must be built up promptly.

There is one point we want to place particular emphasis on, and that was discussed while Mr. Reyburn was here. That is the differential. That is the substituting of 2 years for 5 years. We think that this is essential and that it will stimulate employers to stabilize employment. That is really what we want. We do not want people to be unemployed; we want them to be employed. We want to stimulate employers to stabilize employment. This will prevent employers from taking wage-saving machines which would throw more people upon the benefits of the unemployment reserves.

In this connection—and here is something that is quite missing from the bill—minimum standards of compensation should be written into the bill in order that no State may adopt such low standards

that most industries can take advantage of differential rates and thus give partially cooperating States a competitive advantage over fully cooperating States.

Mr. TREADWAY. Can you offer any explanation as to the reason that your brief suggestions so closely coincide with the President's?

Mr. HUTZLER. I cannot offer any explanation whatsoever, because so far as I know there was no one on the committee that drew this up, or on the preliminary committees; there were three or four committees that drew up different subjects. Then there was a coordinating committee that met about a week before the convention, in order to have it ready for the convention. This was changed in only two immaterial words in the convention; so that there was no connection between them at all.

Mr. TREADWAY. How long has this subject matter been before your organization?

Mr. HUTZLER. Oh, for some months; for quite some months.

Mr. TREADWAY. Of course, it may be that some of your members consulted with the President's representatives and talked these subjects over?

Mr. HUTZLER. I do not think so.

Mr. TREADWAY. So you think it is purely a coincidence of general interest in the subject matters that causes this very close resemblance?

Mr. HUTZLER. Mr. Treadway, I think that the retailers have approached this subject not for the sake of their own employees but from the viewpoint of the country as a whole. In other words, the retail industry is closer to the consumer and is closer to the public than any other industry. We get the effect of unemployment, we get the effect of different kinds of economic distress more rapidly than any other industry of the country, because our customers are the people.

Mr. McCORMACK. In connection with Mr. Treadway's inquiry, I think I might clarify it to see if the gentleman's understanding is the same as mine. I assume that Mr. Kurstine and Mr. Filene are very much interested in your organization, are they not?

Mr. HUTZLER. Mr. Kurstine was a member of the committee.

Mr. McCORMACK. He is associated with Mr. Filene, E. A. Filene & Sons in Boston, which is a very large store?

Mr. HUTZLER. Yes.

Mr. McCORMACK. Mr. Filene has been a very keen student of this subject for many years. I know in 1931 he appeared before a subcommittee of the Senate. I notice that his proposals were along the lines that your organization has recommended, so it would seem to me that at least members of your organization have been studying this for some years, and that proposals along the same lines were made by individual members to congressional committees at least 3 or 4 years ago; then Mr. Filene has written a book. Have you read it?

Mr. TREADWAY. I have heard him on the radio.

Mr. McCORMACK. He has written a very interesting book, of which I can see the—

Mr. TREADWAY. Earmarks.

Mr. McCORMACK. This is the substance of it with reference to the consumer's dollar, and the theory of this resolution is substantially

the same as the underlying theory of his book with reference to unemployment insurance.

Mr. TREADWAY. I recognize Mr. Filene's great interest in public questions and have followed his ideas for many years. I hope he is nearer right on this program, if he is responsible for it, either to the administration or to the dry-goods association, than he is on his views on the tariff. They do not agree at all with his attitude in that respect.

Mr. McCORMACK. Of course, you agree we are not considering the tariff now.

Mr. TREADWAY. No; I agree to that. We judge people a little bit, you know, by generalities. However, that has nothing directly to do with the three or four more inquiries I would like to make of the gentleman.

It is always well to plead ignorance, which I do most humbly; I am referring to the question I am leading up to. I know it is perhaps more unfortunate for me that I am not better posted on terms. Your colleague, Mr. Reyburn, as well as yourself, has referred to a "differential." I know where there is a differential, and my genial chairman has suggested that sometimes it has something to do with an automobile, with transportation. But differential is a new word to me. I wish you would really define it for me.

Mr. HUTZLER. I am not very good at defining, but I think I will explain.

Mr. TREADWAY. That is what I mean, explain.

Mr. HUTZLER. When you take out fire insurance, if you have a nice sprinklered fireproof building, you get a differential rate over a man who has an old wooden firetrap. When you go to the insurance company in one case you pay a dollar and a half and in the other case you pay 50 cents. The same way here. I will put it again. In workmen's compensation insurance, everybody started at practically the same rates, if not the same rates in various States. After experience was built up in individual establishments, then the companies began giving differential rates, so that you were encouraged to keep your stores in repair, to put balustrades on properly, and put safety treads on, and to put guards on the machinery in order that the hazards might be reduced. When you did these things, and your experience was good, you got a differential rate in workmen's compensation. We believe the same thing could happen in unemployment insurance.

Mr. TREADWAY. In other words, if the employees of your stores have less hazardous employment than the employees of a mill, where there is more machinery operation and so forth, if the records prove that there are less accidents in your type of business, or if the health of the employees is such that they can continue to work longer without a vacation, that is a differential; is that correct?

Mr. HUTZLER. We are thinking just in the unemployment end rather than in the health end.

Mr. TREADWAY. It would bring in the health problem, then, would it not?

Mr. HUTZLER. We think that the health problem is a tremendous problem. We do think that in order to get this bill through speedily that should be deferred. I do not mean the health problem. The

health problem is not in this bill at all. I was thinking of the old age.

Mr. TREADWAY. But the health of your employees, if they work under the best of sanitary conditions, is surely more liable to be good and they are not as liable to go on the sick list, which would be unemployment to a certain extent, as in some other type of employment. That is what I mean.

Mr. HUTZLER. Yes.

Mr. TREADWAY. I think I understand the differential.

Mr. HUTZLER. The whole thing is this: Some employers distribute their employment definitely throughout the season, so that they do not have the peaks and the valleys. They do not lay off. It would give definite encouragement to distribute employment evenly when those differential rates go into effect.

Mr. TREADWAY. We have that differential in Massachusetts in automobile insurance.

Mr. HUTZLER. Yes.

Mr. TREADWAY. There are zones. One zone the record shows has had fewer accidents, and they get a lower rate on their compulsory casualty insurance. That is a differential, is it not?

Mr. HUTZLER. That is a differential. It is provided on page 50, line 12:

Provided, That such variations—

“variations” is the term used in the act—

are not allowed within 5 years after contributions are first paid under such law.

We simply want that changed to 2 years.

Mr. TREADWAY. In your opening statement you mentioned urging speed on account of legislatures being in session, and in your remark just now you repeated it. The various items that are included in the bill have been in operation or under study for a good many years, some in operation like the Public Health Service, and so forth, and some would be brand new; while individuals have studied these problems, and associations have studied these problems, so far as any movement toward legislation is concerning, the hearings that were held by a subcommittee of this committee last year were the first definite move of that nature that I have in mind. I may be in error, but it is my recollection that this is the first definite move toward Federal legislation. You at your meeting adopted this on the 15th of January, or is that the date this is printed?

Mr. HUTZLER. No; 15th of January it was adopted, although the committee, of course, and various subcommittees met previous to that.

Mr. TREADWAY. I know, but this was printed the 15th of January, and Mr. Doughton's bill was introduced here the 17th of January. Two weeks ago yesterday is the first this measure has been before Congress. Now, do you not feel that we as representatives of the people are entitled to every possible opportunity to study as important problems as are submitted in this bill?

Mr. HUTZLER. Of course, I do not want to be hooked up on congressional procedure.

Mr. TREADWAY. No; I think that is a fair question I am asking you.

Mr. HUTZLER. And I think it should be studied, but there are certain titles in the bill that have had a great deal of study. As you say, I appeared before the subcommittee of this committee last year on unemployment insurance. That has had a fair amount of study. These other measures are to a large extent a substitution for types of relief work that are going on; in other words, the old-age assistance.

Mr. TREADWAY. Expansion, in many instances.

Mr. HUTZLER. I think to a large extent a substitution. For instance, the old-age people are receiving it from the relief committees. It will now be a 50-50 Federal and State payment under this, and a permanent thing instead of a temporary thing. I believe that most of the titles, except the one on old-age insurance for those who are not now old, have received enough study that you can hear it.

Mr. TREADWAY. By whom has it been studied and heard? Certainly not by this committee, and here is where it must originate.

Mr. HUTZLER. Of course, I do not know the amount of study the committee has had; I know a week or two.

Mr. TREADWAY. You appeared as a witness, you say, before the subcommittee?

Mr. HUTZLER. Yes.

Mr. TREADWAY. All the members of that committee do not happen to be members of Congress at the present time, either.

Mr. HUTZLER. I really would prefer not to comment on legislative procedure.

Mr. TREADWAY. Responsible as we are for offering this legislation eventually to Congress, are we not entitled to a little time, not to get out of breath or get too great a perspiration putting this thing through because it happens that a legislatures may be adjourned in a few days?

Mr. HUTZLER. I would much prefer not to comment on legislative procedure.

Mr. COOPER. I submit it is not a question for this witness to answer as to how much time this committee should take in considering a measure.

Mr. TREADWAY. That is all right; I admit that.

Mr. COOPER. It is a matter for the committee to determine, and not for this gentleman here.

Mr. TREADWAY. But he is advising us to hurry, Mr. Cooper.

Mr. COOPER. He would not presume to undertake to advise the committee on that point.

Mr. TREADWAY. I think he did.

Mr. HUTZLER. I am simply calling attention to the fact that if these other titles can be gotten through before the legislatures adjourn, it will be desirable.

Mr. LEWIS. Mr. Hutzler, being from Maryland, I recognize the friendly service you have given this cause. The questions I shall address to you are not antagonistic in purpose. We are speaking about differentials. Preceding witnesses said about 20 percent of the value of goods sold goes to pay roll.

Mr. HUTZLER. About that.

Mr. LEWIS. In the coal-mining industry about 70 percent goes to pay roll. You have a tax in the case of the unemployment insurance of 3 percent, when it becomes complete. With respect to coal min-

ing, the operator would have to raise his price 2.1 percent in order to make good on the tax. With respect to retail merchandising, with pay roll taking 20 percent of your sales, you would have to raise your price three-fifths of 1 percent. Is there not already in the act a differential of 3.5 times imposed on the higher pay roll employment as compared with your own? Can you answer that? Are those figures correct?

Mr. HUTZLER. No; that is just what I want to say. Of the other 80 percent, a great deal is pay roll.

Mr. LEWIS. I am going on 20 percent of it pay roll. What is the pay roll?

Mr. HUTZLER. I do not know, because it is the pay roll of the manufacturer who made the article. In other words, the article we have bought is greatly pay roll.

Mr. LEWIS. Mr. Hutzler, you can tangle this up as Dr. Townsend tangles his proposition up if you want to. We are dealing with the retail trade this morning.

Mr. HUTZLER. The retail trade on its percent of total business done would pay less than if its—I mean, if the coal-mine pay roll is as you say, and you know that, so I am sure it is absolutely right, but the differential might work in favor of the coal mine. The individual establishment might be able to work out its load seasonally; instead of paying 3 percent it would pay only $1\frac{1}{2}$ percent, while the retailer might from his curve have to pay $2\frac{1}{2}$ to 3 percent. In other words, you want to supply the incentive to the individual establishment to spread out employment throughout the year.

Mr. LEWIS. Now I will come directly to that question. The depression did not fall on us like the rainfall, so that all industries and businesses suffered in the same degree. The depression fell, for example, I think on the steel industry with perhaps the greatest effect of all. The depression falls in a much smaller degree on retail merchandise, say with an average degree. Now, if these rates are to be imposed on industry simply to cover its unemployment loss, then each industry would have to bear the burden of a tax proportionate to its unemployment loss, and any reductions made in the tax on the less unfortunate industries would abstract from the general fund from which the payments to the more unhappy industries would have to be made. In other words, you neglect a principle, it seems to me, in this subject matter of imposing the burden according to ability to bear the obligations imposed upon this fund.

Mr. HUTZLER. That is not entirely the particular industry. Some of the industries that are very profitable have a seasonal curve that causes tremendous seasonal unemployment, in profitable industries. I do not think you will find that seasonal lay offs have particularly any relationship to a profit or lack of profit in industry.

Mr. LEWIS. Let me put this question to you: If in our State of Maryland this act goes through and corresponding legislation follows there, would you favor a pooling of all the funds, unemployment and old-age insurance funds, in Maryland?

Mr. HUTZLER. Now, a pooling of the unemployment fund? Let us keep it down there.

Mr. LEWIS. The unemployment fund.

Mr. HUTZLER. I think that this retailers' declaration favors a pooling of the funds, a definite pooling of the funds.

Mr. LEWIS. Of all the funds.

Mr. HUTZLER. But with a differential premium based on experience after the initial stages.

Mr. LEWIS. You spoke of competitive advantage. Does not this tax so far as it is imposed by the Federal Government apply equally to all like trades in all the States? For example, in retailing it would be 3 percent in North Carolina, 3 percent in South Carolina, and 3 percent in Massachusetts. The retail industry is not a good illustration. In some manufacturing industry, is it not essential to preserve that equality to eliminate any competitive advantage that may be given by one State over another?

Mr. HUTZLER. Mr. Lewis, if you applied minimum rates of compensation to be paid out, and then let the various industries and the various individuals within the industry work for stabilization of employment and give them the benefit of that stabilization, it will still be on the competitive basis, because the industry that is stabilized probably will have increased operating cost, which should be compensated by a differential in this rate. As far as this bill is concerned, it provides basic equality for 5 years, but after 5 years differential rates are established under this bill, on page 50. I think it starts on page 48 at the top of the page. But it says it cannot be before 5 years. We want it to be after 2 years, but we want minimum standards established so that there must be some sort of uniformity.

Mr. LEWIS. Mr. Hutzler, so far as employers are concerned, who have to meet each other in interstate competition, the Federal tax is equal upon them all. So far as any tax may be imposed by the separate States upon the employers, they do not meet each other in interstate competition, and no prices are raised because of a tax on their services. Is that correct?

Mr. HUTZLER. You and I read it differently.

Mr. LEWIS. It is not a question of reading, sir.

Mr. HUTZLER. I mean, the way this law reads, after 5 years differentials can be established, and they can be established on laws without any minimum benefit. We think that there ought to be minimum benefits.

Mr. LEWIS. Just what do you mean by "differential" in your application?

Mr. HUTZLER. Shall I read from the bill?

Mr. LEWIS. Perhaps that would be just as well.

Mr. HUTZLER. It says [reading]:

Any employer qualifying under section 608 of this act who has made contributions and has reduced them under a State law which initially required uniform contributions from all employers making contributions, and which thereafter allows certain employers to reduce their contributions, may, for any taxable year thereafter, credit against the tax an amount in addition to the credit allowed under section 602 of this act.

That is what I call a differential.

Mr. LEWIS. Let me observe there that I think it is well that employment be regularized, but I do not think it ought to be regularized at the cost of this pool of unemployment-insurance money. It would be at the cost of the unemployed under those circumstances. Some other method of giving encouragement to regularization and stabilization of employment should be secured.

Mr. HUTZLER. I do not think it would hurt the pool.

Mr. LEWIS. It would ruin the pool if we had the differentiations you have in mind. Naturally enough, you are looking only to insurance experience. This is a mass insurance proposition and not an individual insurance proposition, so far as those liable are concerned.

Thank you, Mr. Hutzler.

Mr. COOPER. Am I correct in understanding that you advocate a differential as applied to this 3-percent excise tax on the pay rolls of industry?

Mr. HUTZLER. No. We simply recommend that the provision in this bill on pages 48 to 60, and the top of 50, where it says, on line 12:

Provided, That such variations are not allowed with in five years—

Be simply changed so that the word "five" is changed to "two." That makes the bill exactly in accordance with our desire, except that we think that minimum benefits should be also put in the law so that those variations cannot be too great; in other words, so that they are kept within control.

Mr. COOPER. Will you be kind enough to answer my question? Does not that mean that you favor a differential in this 3-percent excise tax applied to the pay rolls of industry?

Mr. HUTZLER. We advocate that a differential credit be allowed; yes. It amounts to the same thing.

Mr. COOPER. Do you advocate this differential as between the different industries of the country or between different units of the same industry?

Mr. HUTZLER. Between different units as well as between different industries. In other words, if a man, just as in workmen's compensation, keeps his plant in better shape or his employment conditions in better shape than a competitor, he should be allowed to take advantage of the fact that he is stabilizing employment.

Mr. COOPER. Then you favor the granting of preferential rates to certain groups within the same industry, so far as this excise tax or unemployment insurance is concerned?

Mr. HUTZLER. I would not say "preferential rates." I would say we believe that stabilization of employment by individual plants should be recognized.

Mr. COOPER. And that they should be granted a preferential rate?

Mr. HUTZLER. A differential rate; yes.

Mr. COOPER. Is it not a preferential rate?

Mr. HUTZLER. Well, it is, within that.

Mr. COOPER. You prefer that against other branches of that industry who do not meet the requirements that you set up, do you not?

Mr. HUTZLER. Yes.

Mr. COOPER. Is it not correct to assume that the underlying principle which forms the very basis for an unemployment insurance system to be adopted is to regulate the question of competition?

Mr. HUTZLER. No more so than in fire insurance and workmen's compensation.

Mr. COOPER. I am not talking about all those. I am just asking for a direct answer to what I am asking.

Mr. HUTZLER. No; I may say now within certain limits, "Yes"; but if a man can stabilize employment, which costs money—

Mr. COOPER. You do not need to go into all of that. If you will be kind enough to give me direct answers, we can save a lot of time. The point I am asking you at this time is whether or not you recognize that the underlying principle which forms the basis for the system of unemployment insurance from a national standpoint is the question of competition.

Mr. HUTZLER. Competitive concerns should have equal opportunities under it.

Mr. COOPER. Yes. When you establish the system of granting preferential rates to certain industries within the same group, do you not strike out that foundation and that very principle that should be recognized?

Mr. HUTZLER. No; not in the least; because the other fellow has the same opportunity to stabilize the employment within his plant and to get the same benefits. That is what we want—the stabilization of employment.

Mr. COOPER. He has the same opportunities, but conditions in one State may be vastly different from those in another State, and they may be conditions beyond his control.

Mr. HUTZLER. That may be true in almost anything.

Mr. COOPER. Yes. In other words, the purpose of having a national unemployment insurance system other than having State unemployment insurance systems is to try to strike out the question of competition, is it not?

Mr. HUTZLER. Oh, absolutely.

Mr. COOPER. Then if you are going to grant preferential rates to one business as against other businesses in the same industry, how can you keep from striking out that basic principle which affects competition?

Mr. HUTZLER. Personally, I think that it could be stabilized just as well in one State as in another.

Mr. COOPER. If that is your view, I do not have anything else to ask you.

You realize, of course, there are different laws in all the States?

Mr. HUTZLER. That is the reason a minimum benefit is essential under that.

Mr. COOPER. But if by State laws conditions are different in one State from what they are in another State, how can the industry of that State establish a system that compares identically with that of another State?

Mr. HUTZLER. They will be essentially the same, and should be.

Mr. LAMNECK. I understood the previous witness to say that this legislation was generally acceptable to your group. Is that true?

Mr. HUTZLER. This legislation is generally acceptable to our group. We do believe that the old-age insurance is superimposed upon the unemployment insurance needlessly at the present time.

Mr. LAMNECK. I gather from your testimony that you think if you have a business that has very little unemployment, you ought to have a lower rate than I would have if I had a great amount of unemployment. Is that right?

Mr. HUTZLER. After the experience develops.

Mr. LAMNECK. We will just accept that as a fact, you have less unemployment than I have, and you think that you have to have a less rate then. Suppose you had a business in Baltimore that em-

played 100 men day in and day out and year in and year out. What would be your idea as to how much you should pay on the unemployment features of this bill? Should you pay anything or should you pay half as much as the rate provides, or a third, or fourth, or what percentage do you think you ought to pay under those circumstances? In other words, if you had no unemployment at all?

Mr. HUTZLER. This bill provides 1 percent to the general fund. Our committee did not discuss that or object to that. It was not discussed at great length. It did not object to this 1 percent of all employers to a general fund, to the general pooling State-wide. But we did get some telegrams lately from the California State Association that they thought one-half of 1 percent as a State-wide risk was better.

Mr. LAMNECK. In other words, if you have practically no unemployment in your business in Baltimore, you think you ought to pay one-half of 1 percent toward the unemployment fund; and if I had plenty of unemployment in my business, I ought to pay 3 percent. Is that right?

Mr. HUTZLER. No; because we would have unemployment. Remember, we are not totally free of unemployment.

Mr. LAMNECK. I am assuming the case that you would be.

Mr. HUTZLER. Yes; if you got a case, say, that amounted actuarially to only one-fourth of 1 percent, then you ought to pay somewhere from three-fourths to $1\frac{1}{4}$ percent to the pool.

Mr. LAMNECK. Under this security legislation the total tax on pay rolls, including all items, is 3 percent. Have you given any consideration—or has your industry given any consideration—to what effect that would have upon your ability to stay in business?

Mr. HUTZLER. Our committee definitely feels that the old-age-insurance tax should not be on pay roll. The old-age tax for those who are not old at present should not be on pay roll. Putting 8 percent onto the pay roll will encourage people to employ labor-saving machinery. It will be a subsidy to labor-saving machinery. We feel that some other form of tax should be devised for that, because there is no relation between pay roll and old age whatsoever. But I think that in normal conditions it is simply a matter, when everybody has to pay a certain amount, you can pay it. It simply means that the cost of production goes up that much.

Mr. LAMNECK. Let me ask you this in another way: Suppose your pay roll were \$50,000 a year and you are taxed 8 percent of that pay roll. Your pay roll would be \$54,000. Would that make any difference in your business?

Mr. HUTZLER. If we were to apply an 8-percent tax on pay rolls, it would be a big brake on recovery.

Mr. LAMNECK. Would it have any tendency to lessen the number of people employed in your business? Would you have a tendency to keep just a few people?

Mr. HUTZLER. There are certain machines that would not justify themselves today that would justify themselves with an 8-percent addition to the pay roll. It is too big a percent.

Mr. KNUTSON. I understood you to say when you first took the stand that you are in the merchandising business.

Mr. HUTZLER. Yes.

Mr. KNUTSON. Could you give the committee any information as to the approximate increase in cost of commodities that this program will cause?

Mr. HUTZLER. That is very difficult.

Mr. KNUTSON. Approximately what will be the increased cost in commodities as a result of putting this program into effect as we now have it before us?

Mr. HUTZLER. I am going to have to plead ignorance there, because I do not know, and it varies from year to year.

Mr. KNUTSON. Certainly the percentage would not vary much.

Mr. HUTZLER. Why, yes; your pay-roll tax goes up. It starts at 1 percent and it goes up to 8 percent.

Mr. VINSON. When you say 8 percent, you are including that part of the tax that is paid by the employee.

Mr. HUTZLER. Five and one-half percent is really there. I mean that figure was used on the other side.

Mr. VINSON. Three percent on unemployment insurance; $2\frac{1}{2}$ percent on the contributions made by industry to the old-age fund.

Mr. KNUTSON. It will add $5\frac{1}{2}$ percent to your overhead, will it not?

Mr. HUTZLER. No; no. It will add $5\frac{1}{2}$ percent to 20 percent of our cost of doing business. In other words, in our particular business 20 percent is pay roll. It will be $5\frac{1}{2}$ percent of 20 percent of our particular business, but we will have to pay more for everything we buy.

Mr. KNUTSON. That is what I am getting at—that it will be reflected all along the line. There will be an increase in commodity prices all along the line to absorb this tax; or will you gentlemen turn philanthropic and put up the money out of your own pockets?

Mr. HUTZLER. Oh, no; we will not be philanthropic.

Mr. KNUTSON. It will increase commodity prices in proportion to the position that the $5\frac{1}{2}$ percent bears to your pay roll. That is a fair statement, is it not?

Mr. HUTZLER. Yes.

Mr. VINSON. You are not advocating the inclusion in this bill of any differential or preferential at the present time?

Mr. HUTZLER. No; we simply want to change the words "five years" to "two years."

Mr. VINSON. You are not advocating any preferential or differential at this time, are you?

Mr. HUTZLER. No.

Mr. VINSON. You are satisfied with the rates included in the bill during this present time and through the initial stages?

Mr. HUTZLER. Through the initial stages, which we think should not exceed 2 years.

Mr. VINSON. When did you reach the conclusion that 2 years was the "initial stages"?

Mr. HUTZLER. I think when this particular document was drawn up it was felt that it should be shorter than 2 years.

Mr. VINSON. Why did you not say so in your document?

Mr. HUTZLER. Because there was a little variety of opinion as to the exact time as to how long it would take to develop a reasonable experience for differential rates. It was felt that 2 years would develop a reasonable experience for differential rates.

Mr. VINSON. Whatever may appear to be the initial stages as to these experiences, what you want is preferential or differential treatment?

Mr. HUTZLER. Differential treatment; yes.

The CHAIRMAN. We thank you, Mr. Hutzler, for your appearance and for the information you have given the committee.

**STATEMENT OF DAVID LASSER, NEW YORK CITY, REPRESENTING
THE WORKERS' UNEMPLOYED UNION**

Mr. LASSER. My name is David Lasser, 22 East Twenty-second Street, New York. I represent the Workers' Unemployed Union of New York and the Provisional National Committee of Unemployed, with some unemployed groups in some 24 States and a membership of something like 400,000. We are the people who are concerned at the present time in the unemployment-insurance problem, and we would like to state our point of view.

Mr. KNUTSON. Is your organization a communistic organization?

Mr. LASSER. No, sir; it is not?

Mr. KNUTSON. Are you a Communist?

Mr. LASSER. I am not.

I listened with a great deal of interest to the testimony of Dr. Townsend. I want to say that we are opposed to the Townsend plan. We are not opposed to benefits to old people, to pensions to old people, but we are absolutely opposed to any sales tax to raise that money. We feel that the plan is fantastic in its purpose. We urge you to defeat it. That is the point of view that we have adopted, and I think it is substantiated by the point of view of the great majority of unemployed of the Nation.

I would like, if I might, to point out a few facts over the last 10 years which we believe should be the basis of an unemployment insurance program. I found some figures that during the years 1922 to 1931 the net income of industrial corporations was some \$83,000,000,000. Of this amount, they gave out \$59,000,000,000 in cash dividends. Aware of the fact that after these fat years there would come some lean years the corporation directors put away some \$30,000,000,000 into corporation surpluses. Their theory was that there should be unemployment insurance, but unemployment insurance for stockholders and bondholders. They continued even during the depression years, when they were not even earning any money, to pay out dividends. In the years 1930 and 1931 some \$4,000,000,000 was paid in dividends which was not earned. That represented unemployment insurance for stockholders. As far as bondholders were concerned, the payments in the year 1933 were even higher than they were in the year 1929.

At the same time that these prudent directors were putting aside money for unemployment insurance for stockholders and bondholders, they entirely forgot to put aside any money for their workers. During this period the average wages of the workers of America were approximately \$1,100 or \$1,150 a year. According to the figures of the President's Committee for Economic Security this income was too low to permit the great mass of American workers to accumulate any savings, so consequently the great mass of American workers, some 16,000,000 families, came into the depression years with prac-

tically no reserves to face a depression, although the corporations they worked for did have these reserves.

When the depression broke, and Government aid was finally started to the unemployed, the Government said to the unemployed, "Here, you must first exhaust all your reserves; you cannot have any income. You must use up all the money you have in savings banks, and if you have any cash in insurance policies you must exhaust that before we will grant you one penny of aid."

The consequence of that was that we find at the present time some 5,000,000 families, composing 20,000,000 people, who are absolutely destitute in the sense that they have absolutely no resources and are entirely dependent on Government aid. Because of this policy there are 7,000,000 more unemployed who are not eligible for relief, because they still have not used up their last dollar, because they have not drawn their last dollar from insurance policies, because some member of their family might happen to work. These 7,000,000 people are the forgotten people. They compose some 20 or 30 million more people. If this policy of the Government of refusing aid to the 7,000,000 who are now unemployed and receiving no aid continues, they will gradually exhaust their resources and you will find 12,000,000 families instead of 5,000,000 who belong to the destitute and pauper class. If we have a recovery, these 12,000,000 families with 40,000,000 people will face the future absolutely penniless.

The question is, how are we going to deal with the problem? There are two ways of dealing with it. If Dr. Townsend were called in to prescribe for a patient and the patient were very sick, Dr. Townsend would probably examine the patient and say, "Here, we must get this patient in good shape, in good physical health." I feel, and we, the unemployed people, feel that that is what must be done in the present emergency. Here you have millions upon millions of people who are destitute. You cannot come in like a doctor and say, "Here, this poor fellow is very sick. We cannot do anything for him now, but if he should again become well and then become sick, maybe we will do something for him and we will give something to him, which is called the Wagner-Lewis bill."

The difficulty with that theory is that the patient may not recover, or, if he recovers, he might not recover his full health, his full vigor of mind and body.

The Wagner-Lewis bill, in our opinion, is a fake patent medicine which has been labeled "Unemployment insurance", hoping that the customer will simply see the label and buy the medicine. The unemployed feel that it means nothing to them whatsoever.

* We feel that the principle which should govern unemployment insurance is that every person unemployed through no fault of his own should be entitled to benefits. Secondly, that these benefits should continue for the entire duration of involuntary unemployment. Third, that the benefits should be sufficient to permit a decent standard of living, a minimum of health and decency.

I might say in that connection I notice in the Wagner-Lewis bill that under the old-age and under the dependent-children provisions the States are required to maintain standards compatible with health and decency, but in the unemployment section there is nothing said about the States maintaining unemployment provisions compatible

with health and decency. We feel that the omission is an important one.

I would like to say one final word: We support the workers' unemployment insurance bill, the Lundeen bill. It may have some weaknesses. Those weaknesses can be corrected. But we feel that there is no use trying to write amendments to the Wagner-Lewis bill, because it is wrong from start to finish. I want to point out a salient fact which I do not think has been brought out under the Wagner-Lewis bill, and these figures have been gathered by the President's Committee on Economic Security. Under the best possible conditions, if the States adopt the most liberal bills that they can, commensurate with the Federal bill, 54 percent of the workers in good times would be excluded from the Wagner-Lewis bill, on the figures from 1922 to 1930.

The CHAIRMAN. The time of the gentleman has expired.

Mr. VINSON. When you refer to the Wagner-Lewis bill, it seemed to me that you were pointing at the unemployment insurance bill that was before Congress in the last session, known as the "Wagner-Lewis bill."

Mr. LASSER. I am referring to the present bill that is before Congress.

Mr. VINSON. You are not attacking all of that bill, are you?

Mr. LASSER. I was dealing principally with the unemployment part of it.

Mr. VINSON. In other words, unemployment insurance is merely one of the subjects that is discussed and included in the present bill under consideration?

Mr. LASSER. Yes, sir.

Mr. VINSON. You have not said anything in opposition to the old-age pension end of the bill, have you?

Mr. LASSER. No.

Mr. VINSON. You are not criticizing or protesting against the contributory features in the annuity plan?

Mr. LASSER. Yes, sir.

Mr. VINSON. Are you?

Mr. LASSER. If I had the opportunity I would.

Mr. VINSON. Do you object to the employer paying any part of that money?

Mr. LASSER. No, sir; we do not object at all to the employer paying it.

Mr. VINSON. You are not objecting to the public-health section in that bill, are you?

Mr. LASSER. No.

Mr. VINSON. You are not objecting to that which deals with dependent children?

Mr. LASSER. No.

Mr. VINSON. Or crippled children?

Mr. LASSER. No, sir.

Mr. VINSON. In other words, when you are protesting against the Wagner-Lewis bill, as I understand it, you are really directing that objection to the unemployment-insurance feature of it?

Mr. LASSER. Yes.

Mr. VINSON. Of course, you understand that that is only one part of the problem that is being considered.

Mr. LASSER. That is true.

Mr. VINSON. Not only the things that are in this bill are under consideration but the Public Works bill is either supplementary or complementary to this bill in reaching the relief problem.

Mr. LASSER. If I had had time, I would have made some reference to that.

Mr. LEWIS. Referring now to the bill before the committee, you have not overlooked the fact that the administration at the same time it proposed this measure proposed a public-works program of nearly \$5,000,000,000?

Mr. LASSER. That is right.

Mr. LEWIS. That bill was designed to create employment for those now unemployed. I want to compliment you on your restrained and thoughtful method of presentation. You certainly could not have misunderstood; it seems to me, that nobody connected with this unemployment insurance proposal thought of it as a remedy for existing unemployment, but thought of it as operating in the future when chronic unemployment seems threatened for all unemployed for all time.

Mr. LASSER. If I might answer that, sir, I referred to the 7,000,000 unemployed who will not be covered by the public-works program, and who will not be covered by this Wagner-Lewis bill. These 7,000,000 unemployed are absolutely forgotten.

Mr. LEWIS. You mean that taking all the program into account it still does not cover the problem?

Mr. LASSER. That is correct.

Mr. KNUTSON. You are connected with the Workers' Unemployed Union?

Mr. LASSER. That is right.

Mr. KNUTSON. I take it from your remarks that you have made some study of the unemployment problem?

Mr. LASSER. I have.

Mr. KNUTSON. Could you give this committee some information as to the approximate number of unemployed in the United States at the present time?

Mr. LASSER. We use generally the experience we find in our different localities. For example, in New York City at the present time there are more than a million unemployed—in New York City alone. We find that unemployment has increased over, say, 6 or 9 months ago. We use the figure of the American Federation of Labor, increased a little bit, which would place our estimate at about 12,000,000, which does not include part-time employment. It just includes full-time employment. The American Federation of Labor, for example, estimates that in addition to entire employment 25 percent of its membership is on part-time employment, which is partial unemployment.

Mr. KNUTSON. About 2 weeks ago there were some officials down here from the city of Minneapolis conferring with the relief agencies here. They made the statement that the number of families on the relief rolls in that city had increased from 11,000 plus to 16,000 plus in the last 12 months. I am just wondering if that condition is general throughout the country.

Mr. LASSER. I would not say it is entirely due to increased unemployment. It is due to the progressive exhaustion of resources of

the people who heretofore had not applied for relief. For example, in New York City the number of people on the relief rolls has reached a new all-time peak of some 350,000 families, I believe, in New York City alone. This is due to the fact that as the depression continues, they exhaust their savings, they take their last dollar out of the bank, their last dollar out of insurance policies, they hock the radio, they sell the piano, they move to cheaper quarters; then, when they cannot go any further, they apply for relief, because they have to be absolutely down at the bottom before they will be accepted for relief.

Mr. KNUTSON. Do you think it would materially aid in recovery if the President were to set aside, say, a billion or two of the money that has been voted or will be voted and call industry in and tell them to go on to a normal productive basis for a period of, say, 6 months, and that the Government would guarantee them against loss? Would that aid recovery?

Mr. LASSER. I do not profess to be an economic expert, but if I give you the point of view of the people, the people have already had too much of the financing of the people at the top and too little financing the people at the bottom. If you want to aid recovery, put purchasing power in the hands of the people.

Mr. KNUTSON. Would you not restore purchasing power by putting the people back to work?

Mr. LASSER. Here is the one way I think it might be done: Let the President say to industry, "Here are 12,000,000 people out of work. You refuse to reemploy them. If you do not employ them, we, the Government, will employ them on socially useful works, will pay them a living wage, will give unemployment insurance to those whom we cannot place at work, and will charge the bill to you, to industry." I think that would bring industry to terms quicker than anything else.

Mr. KNUTSON. Do you not think that industry would be glad to resume normal operations at the earliest possible moment? Do you know of anyone who is profiting by this condition?

Mr. LASSER. I think that people are employed when it is profitable to employ them. They are disemployed when it is profitable to disemploy them, and that has no relationship to the welfare of the people as a whole.

Mr. KNUTSON. It becomes profitable to disemploy them when there is no market for the product, is not that true?

Mr. LASSER. I gathered one figure which I think is a very interesting one. In 1923, the total value of manufactured products was some \$60,000,000,000, and the wages paid to the workers were \$11,000,000,000 of that \$60,000,000,000. In 1929, the peak of prosperity, the value of products was \$70,000,000,000, an increase of \$10,000,000,000, but wages paid were \$11,600,000,000; in other words, an increase in wages of only \$600,000,000, and an increase in the value of the products of \$10,000,000,000. That showed that when industry had a chance to keep their people employed, which meant giving them enough wages to buy back what they produced, they did not do it.

Mr. LEWIS. What year was that?

Mr. LASSER. 1923 and 1929.

Mr. HILL. Your chief concern in your presentation here is for the unemployed; that is, for employment for those who are now unemployed?

Mr. LASSER. Yes; and for those who may become unemployed in the future.

Mr. HILL. You have recognized the fact upon its being suggested to you here that there is the Public Works program in this relief work?

Mr. LASSER. Yes, sir.

Mr. HILL. That something near \$5,000,000,000 is being appropriated now for that purpose. You probably recall, too, that the President has stated that it is his purpose and confident hope that by the use of this large fund 3½ million unemployed will be put to work directly and indirectly another 3½ million unemployed will be employed.

Mr. LASSER. Yes, sir.

Mr. HILL. So that that would take a great deal of the slack out of the unemployment if that works out as it is anticipated it will.

Mr. LASSER. I do not think it will, sir, for this reason: In the first place, this money is to be spent over a period of, I think, a year and a half. I looked up the comparative Budget between this year and last year, and the 4 billion dollars, in my recollection, represents no increase over last year. What the President has done is take the amount segregated for public works and the amount segregated for relief and lump it all in one lump sum. I do not think it represents an increase over last year. Furthermore, if the President persists in his announced intention of paying a wage of \$50 a month, I assure you it will not materially increase the purchasing power. As a matter of fact, it will be an incentive to private employers to reduce wages, and thereby reduce purchasing power.

The CHAIRMAN. We thank you for your appearance before the committee and the information you have given us.

STATEMENT OF MRS. WILLIAM KITTLE, REPRESENTING THE NATIONAL CONSUMERS LEAGUE

Mrs. KITTLE. My name is Mrs. William Kittle, Washington, D. C. I represent the National Consumers League, which for more than 35 years has had a single purpose of working for conditions that would better those that have to labor. Since 1922 the Consumers League has been on record for some form of unemployment insurance or some form of legislation that would affect unemployment in the country. In 1922 they entered the campaign in Wisconsin and followed that through until that bill, which was then before the legislature, became law.

On the question of H. R. 4142, I am talking specifically to the part of the bill affecting the unemployment insurance. The organization is not opposed to the portion of the bill as to the old-age pension or health insurance, but I am talking about that point particularly. The organization believes that this bill offers an incentive, in the devising of the tax, that will encourage the States to do what they have not done since it began, in 1922, the campaign for this type of legislation.

I am filing with you the statement of the organization on this.

(The statement referred to follows:)

STATEMENT BY THE NATIONAL CONSUMERS' LEAGUE ON THE UNEMPLOYMENT-INSURANCE PROVISIONS OF THE WAGNER-LEWIS BILL

The National Consumers' League, which for 35 years has worked to improve living conditions of working people, is heartily in favor of the President's social-security program. It welcomes these plans as a far-sighted recognition of our needs and as a long step forward toward a stabilized social order. The National Consumers' League urges its immediate enactment into the law of the country by the passage of the Wagner-Lewis bill. Its provisions on unemployment insurance will give a much-needed stimulus to State action.

The proposed act encourages each State to initiate its own system of unemployment benefits, creating machinery to suit its local needs. Constitutional difficulties are avoided and greater flexibility gained by leaving each State free to experiment with its own choice of legislation, so long as this complies with certain general requirements. To eliminate the fear of competitive disadvantage which has delayed the progress of State unemployment-insurance laws, the Wagner-Lewis bill (H. R. 4142) offers positive and tangible inducement to such legislation.

After 5 years of bitter experience with prolonged unemployment and widespread public and private relief, American citizens have come to realize the need for definite plans and for readily accessible funds to meet a period of depression.

The National Consumers' League pledges its support to these proposals of the Wagner-Lewis bill (H. R. 4142), and will not only work for its passage in the United States Congress, but will also support State unemployment-insurance measures in accordance with the program.

Mrs. KITTLE. Mr. Chairman, the next speaker is Miss Elizabeth Eastman, who is here but cannot speak because of a hard cold. May I read her statement? Is that in order?

The CHAIRMAN. That will be all right.

Mrs. KITTLE. This is the statement which Miss Elizabeth Eastman, Washington, D. C., representing the National Y. W. C. A., wishes to place before you:

Through official action at its national convention, the Young Women's Christian Association of the United States of America is on record as supporting compulsory unemployment insurance and old-age pensions.

The amount of study of unemployment insurance which we have done, and an analysis of the experiences of our own industrial and business women membership, lead us to the conviction that the following corrections should be made in bill H. R. 4142, introduced by Representative Lewis:

1. The bill should be revised to establish minimum standards for benefits, amount, duration, waiting period, and so forth, to be paid by the States. Standards are the crux of a sound unemployment insurance scheme. A statement in the bill that model legislation is being drafted to be submitted to States is not followed by any recommendation that minimum standards will have to be adopted. The old contention that industry will be "driven from the States" will be used by the opponents of unemployment insurance if one State adopts one scheme, another State adopts a different, and yet another no scheme at all.

2. The 3-percent tax should hold irrespective of the business index. The bill provides that the 3-percent Federal pay roll tax shall during the first 2 years be reduced to 1 percent if the average annual index of industrial production as returned by the Federal Reserve Board is under 84 and shall be reduced to 2 percent if this index is 95. The index of employment for the past 12 months is 76.8 and was lower in October 1934 than October 1933. Therefore it seems unlikely that

the average index of production will rise above 84 for the coming 1 or 2 years. Therefore, if only 1 percent is to be set aside, the States will have failed to secure adequate funds out of which even minimum benefits can be paid.

States are waiting anxiously for Federal legislation. Unless something is done quickly, many State legislatures will adjourn before they do anything.

As regards old-age pension, it is essential that those people who are not employed workers, who are, for example, farmers, small storekeepers, and so forth, shall always be taken care of. The suggestion that in time we shall not need a system of noncontributory pensions is based on a false premise. It is not only the employed worker who needs help in his old age. Many persons who are their own masters require assistance at 65 or 70.

The CHAIRMAN. We thank you for your appearance and the information you have given the committee.

We will take a recess until 2 o'clock.

(Whereupon, at 12:30 p. m., a recess was taken until 2 p. m. of the same day, Friday, Feb. 1, 1935.)

AFTERNOON SESSION

The recess having expired, the committee reconvened at 2 p. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order. The next witness is Elisabeth Christman, of Washington, D. C., representing the National Women's Trade Union League.

STATEMENT OF MISS ELISABETH CHRISTMAN, REPRESENTING THE NATIONAL WOMEN'S TRADE UNION LEAGUE, WASHINGTON, D. C.

Miss CHRISTMAN. Mr. Chairman and members of the committee, I have a statement which I would like to present to the committee.

The CHAIRMAN. We are proceeding under the 5-minute rule.

Miss CHRISTMAN. It will not take longer than 5 or 6 minutes to read it, Mr. Chairman.

The CHAIRMAN. Proceed.

Miss CHRISTMAN. The National Women's Trade Union League of America strongly endorses the purposes of the Economic Security Act. The measures for social security proposed in the various sections of the act, old-age assistance, Federal and State aid for dependent children, for maternal and child health, and for public health, and insurance against some of the hazards of unemployment are all necessary steps that must be taken if the wage earners of the United States are to have any feeling of real social security.

The National Women's Trade Union League of America is an organization of trade-union women and speaks for several thousands of working women who have had first-hand experience of the results of a social system that does not provide these safeguards.

While we recognize the fact that real economic security can be provided only by steady employment at a decent living wage, a wage that permits the support of dependents and expenditure for health and savings, we feel that the measures contemplated in this bill are

of great social importance and are a real step forward toward a program of social justice for the wage earners of the United States.

Because of the great importance of the bill, and because of its far-reaching significance to our people it is essential that the requirements set up, both as to administration and as to standards, should be most thoroughly examined, and for this reason we would like to call to the attention of the committee several defects which seem to us serious.

1. Unemployment insurance: In our opinion it is a serious shortcoming of the bill that it fails to establish any minimum standards for benefits to be paid the workers, for the length of the waiting period before the benefits are paid, for the duration of the benefits and for payment of benefits to part-time workers. All of these items need to be carefully defined and minimum standards set so that States that are establishing high standards of insurance may not be handicapped by competition with States where standards are inadequate. We recognize the possible difficulties of setting a definite minimum standard in this Federal law, but we feel the matter to be so important that we urge that the Social Insurance Board be given in the bill (p. 22, sec. 402) authority to set minimum standards which must be set in all States.

2. Old-age assistance: Under the section of the bill dealing with old-age assistance there seems to be considerable discrepancy between the purpose of the bill as stated on page 2, lines 20 and 21, to assure "a reasonable subsistence compatible with decency and health" and the limitation of the Federal allotment, on page 8, line 7, to \$15 a month per person, making a total with the State allotment of \$30 a month per person. We are convinced that a maximum amount of \$30 a month in many cases will not fulfill the purposes of the bill, and we ask that the bill be so amended as to permit a more generous allowance when necessary.

3. Civil service: In setting up any permanent service in the Federal Government, experience has shown that efficient administration can be based only on the appointment of employees by the merit system through the civil service. For that reason we think that the section of the bill dealing with the administration of old-age assistance (p. 8, sec. 9) and that section dealing with the administration of aid to dependent children (p. 14, sec. 209) should be amended to provide that employees be taken from the eligible lists of the Civil Service Commission. Also, on page 22, section 6, line 8, experts on the social Insurance Board are specifically exempted from the civil service. This seems to leave possibly a very large group of appointees who would not come under the civil service, as the term "expert" is capable of many interpretations. As the Children's Bureau, in its administration of the maternal and child-health work, is required, on page 59, section 704, to employ experts, assistants, and clerks from the eligible lists of the civil service, there seems to be no reason why the same terminology should not be followed for the Social Insurance Board.

In conclusion, we take this opportunity to emphasize again our endorsement of various features of this bill. The development of maternal and infant hygiene has long been of great concern to us. We know that the women of the country are in need of this service and we are convinced that its most satisfactory administration will

be by the Children's Bureau, Department of Labor, with its background of experience and scientific knowledge in this field. We feel also that for the care of crippled children and general promotion of child welfare the Children's Bureau is especially well fitted to handle the responsibilities given it in the bill.

We congratulate the committee on the opportunity it has to establish so important a program to meet some of the great social needs of the Nation and we ask for favorable action on the bill at the earliest possible moment.

Mr. LEWIS. You say that there are no minimum standards provided in the bill, minimum standards which the States must meet in their legislative provisions. In a formal way your statement may be correct, in the sense that you mean it, but is there not a considerable minimum provided in the requirement of a 3-percent contribution by the employers to the State, which, of course, must be devoted to unemployment compensation.

Miss CHRISTMAN. While that is true, is it not pretty much up to the State, however, to set the amount? I have always looked to the Federal Government to guide them.

Mr. LEWIS. That is correct, but do you think the State would set an amount of less than 3 percent?

Miss CHRISTMAN. Well, I would like to be sure of it.

Mr. LEWIS. When otherwise the balance would stay in the Federal Treasury?

Miss CHRISTMAN. I would like to be sure of it, and I am thinking, of course, of some of the more laggard States, rather than the progressive ones. I think they need Federal guidance.

The CHAIRMAN. If there are no further questions, we thank you for your statement, Miss Christman.

Mr. LEWIS. I should like to make a request of the committee, Mr. Chairman.

Mr. Treager is among the students of Johns Hopkins who would like to have the opportunity to present the unemployment subject for 5 minutes, and he assures me he will be through in 5 minutes.

The CHAIRMAN. At this time?

Mr. LEWIS. I do not see him here now, but at any time he may be here.

The CHAIRMAN. We will endeavor to hear him this afternoon, Mr. Lewis.

The next witness is Miss Selma Borchardt, of Washington, D. C., representing the American Federation of Teachers.

(It was announced from the floor that Miss Borchardt's substitute had been present earlier and was returning later, but was not present at this time.)

The CHAIRMAN. The lady will lose her place on the calendar if she is not ready to respond when called.

She will have to take her chance when she returns.

The next witness is I. Amter, of New York, representing the National Unemployment Council.

(No response.)

The CHAIRMAN. The next witness is Norris Wood, Philadelphia, representing the Local Action Committee for Workers, American Federation of Labor.

Mr. HALL. Mr. Chairman, my name is O. J. Hall, Jr.

The CHAIRMAN. I called Mr. Wood.

Mr. HALL. I am the chairman of this committee that represents the local-action committee, of Philadelphia.

The CHAIRMAN. It seems that Mr. Wood asked to be heard.

Mr. HALL. He is to represent the group we are affiliated with. It is the same group, in other words.

The CHAIRMAN. Are you the only witness who is asking to represent this organization?

Mr. HALL. Yes; I am.

The CHAIRMAN. You are recognized for 5 minutes.

STATEMENT OF O. J. HALL, JR., REPRESENTING THE LOCAL-ACTION COMMITTEE FOR WORKERS, AMERICAN FEDERATION OF LABOR, PHILADELPHIA, PA.

Mr. HALL. I am one of a delegation of three representing the trade unions of the American Federation of Labor of the City of Philadelphia, comprising 64 locals of A. F. of L.

We are as locals affiliated with the local joint action committee comprising unemployment council, and interprofessionals, aggregating a total sum of approximately 250,000.

This power is invested in me by action of the rank and file and through them have created an action committee to carry out their wants on the question of unemployment, old age, and social insurance bill, and to enact the same into laws of our country.

With this thought in mind and referring to that section of the Wagner-Lewis social security bill, S. 1130, on unemployment insurance, I will point out its inadequacy in so far as the trade unions are concerned:

I. The marginal difference of a worker's earning and cost of living is so small that the benefits of the unemployment is inadequate because of the waiting period before payments start. This is also due to many workers working part time.

II. The Wagner-Lewis bill, S. 1130, acts as an indirect tax on the worker as he is the one who is the source of all created wealth, and who is now carrying the burden of the unemployed, and being above the 10,000,000 mark since the reemployment drive ending in September 1933.

III. The unemployment insurance excludes from benefits the mass who are now unemployed, since it affects those now employed if and when they are out of jobs.

We concur in the criticism of the Lewis-Wagner bill, S. 1130, with those of the social-insurance experts and actuaries on the committee on economic security.

IV. The approach must be made by a reconsideration of the whole role of the Federal Government which it is held should provide financial support and legislative and administration leadership for the entire program rather than to pass the buck to the States.

II. That a sound plan for social security must necessarily involve some redistribution of income and wealth through added taxes on income and inheritance.

The bill that will accomplish the above, and which we, as a part of a mass movement that participated in the National Congress for Unemployment and Social Insurance demand that H. R. 2827, known

as the "workers' unemployment, old-age, and social-insurance bill", be enacted into law, and which was the representative thought of 2,000,000 people by delegates at the Congress.

Summary: We are going, as a working group, to resist the passage of the administration bill (S. 1130) in every possible way, since the outstanding feature is its inadequacy for the needs of labor.

The CHAIRMAN. If there are no questions, we thank you for your appearance, Mr. Hall.

The next witness is Charles H. Houston, Washington, D. C., representing the National Association for Advancement of Colored People.

STATEMENT OF CHARLES H. HOUSTON, REPRESENTING THE NATIONAL ASSOCIATION FOR ADVANCEMENT OF COLORED PEOPLE, WASHINGTON, D. C.

Mr. HOUSTON. Mr. Chairman and gentlemen, my name is Charles H. Houston, Washington, D. C., representing the National Association for the Advancement of Colored People.

May I say that Mr. Walter White, who is the next name on your calendar, will not be here. I understand that I am operating under the 5-minute rule, but if I should take 6 minutes, may I have 1 minute of Mr. White's time?

The CHAIRMAN. We may grant you that much of an extension.

Mr. HOUSTON. Mr. Chairman, I would like to address my attention first to the old-age assistance as contrasted with the old-age annuity. Our understanding is that the old-age assistance is a provision for supplementing income up to a reasonable, decent level.

On the other hand, old-age annuity is a substitute for income, because the bill provides that a person who is employed by another is ineligible for old-age annuity.

Mr. VINSON. Is ineligible for what?

Mr. HOUSTON. Old-age annuity. That is my understanding, and I call your attention to section 405 (a) (4).

No person shall receive such old-age annuity unless * * *.

He is not employed by another in a gainful occupation.

The point that I am making is that in order to qualify for the old-age annuity there is a provision that taxes must be paid on behalf of this person prior to the day when he reaches 60 years.

Now, for the benefit of Negroes, I want to inquire who would be benefited or excluded by that provision?

First, and very serious, Negro share croppers and cash tenants would be excluded. I take it that I do not need to argue to this committee the fact that of the Negro population and of the population of the country generally, your Negro share cropper and your Negro cash farm tenant is just about at the bottom of the economic scale. He is not employed. There is no relation necessarily of master and servant by which he gets wages on which a tax could be levied. Therefore this population is excluded from the entire benefits of the old-age annuity, and that represents approximately, according to the 1930 census, 490,000 Negroes.

Next: Domestic servants are in substance excluded from the act and the benefit of the old-age annuity, because the system of employing domestic servants is so loose that the chances are, from the

standpoint of the administration of the act as an excise contributory tax, it would be impossible to make a regulation which would go down far enough to pick up all the miscellaneous wages of your domestic servants who, as you may know, are sometimes employed on the basis of day labor, sometimes employed on the basis of hour labor, and less frequently employed either by the week or by the month.

In addition to that, from the standpoint of present persons unemployed, likewise this old-age annuity does not provide for these and I take it again I do not need to argue to the committee that Negroes have suffered from unemployment more than any other class of the community.

There was mentioned this morning the fact that this bill does not purport to relieve unemployment, which is true. It was mentioned this morning that the administration has introduced the Public Works Administration bill providing a vast program of public works. But we must call the committee's attention to the experience that the Negro has not received his share of Public Works Administration money in the sense of wages for public works.

I refer particularly to the Tennessee Valley Authority, on which I can speak out of personal experience and visits, in July.

I refer also to something which is not exactly in accord, because it is worked out through private corporations, but in substance it is entirely financed by the Government, a project such as Boulder Dam. At Boulder Dam there has been the most persistent fight in order to get Negroes any sort of representation and at one time, when the peak was reached, they had 30 Negroes employed on all of the Boulder Dam project.

Likewise, may I call your attention to this? In many States it is perfectly easy to get Negroes employed on Public Works for manual labor. But when it comes to the question of white-collar jobs for Negroes you have a very difficult situation, so far as the Government has evidently manifested itself. Negroes have had the greatest difficulty in getting any sort of employment other than manual labor under Public Works.

Therefore, I call your attention to the inadequacies of the bill so far as your Negro population is concerned. That is, on the basis of the agricultural workers, on the basis of your domestic servants, and on the basis of those who are now unemployed.

May I call attention to the unemployment-insurance provisions? As to that, we call the committee's attention to the fact that the definition of those who are to benefit under the unemployment-insurance provision is left up to the respective States. Now, where the Negro population is in the majority, or in largest numbers, you have the Negroes in occupations which, either under workmen's compensation acts or any other sort of legislation or other economic-insurance protection, are excluded from the benefits of the act.

In these States, where your Negro population is heaviest, you will find the majority of Negroes engaged either in farming or else in domestic service, so that, unless we have some provisions which will expressly extend the provisions of the bill to include domestic servants and agricultural workers, I submit that the bill is inadequate on the unemployment-compensation provision.

May I also call your attention to this, which is just as important? Now I speak to the matter of the care of dependent children, the matter of the whole program of public health.

There are States in which, according to the law, separate institutions are maintained for Negro and white citizens. I think that there should be a provision written into the bill in such States at least that where the money is allocated to the States and by law in public institutions you have a separation of races, there must be an equitable distribution between the white and colored citizens.

You have a precedent for that, if it please the committee, in the act of 1890 dealing with the land-grant colleges, which was an amendment to the Morrill Act of 1862, which was introduced into the record, yesterday, by Mr. Haynes. And to show Your Honors that this is not entirely theoretical, we have the experience of the veterans' hospital at Tuskegee, Ala. That hospital is exclusively for Negro veterans, but there only after a most persistent fight in which there was a tenacious attempt on the part of the white professional men of Alabama to retain for themselves the positions in this hospital, were you able to obtain a Negro personnel.

We are not responsible for the system of segregation. The system of segregation is imposed on us in spite of our citizenship before the law. But what we do say is that equality before the law is written into the Constitution as interpreted by your Supreme Court and certainly as it must be manifested by a Congress of the United States, it would demand an equitable distribution of funds, an equitable distribution of benefits where you have separate institutions.

May I ask permission, since I see that my time is about up, to file a brief which is on its way from New York, but which did not get here up to the present moment?

The CHAIRMAN. You have that permission.

If there are no questions, we thank you for your appearance and the testimony you have given.

The next witness is Sherwood L. Reeder, Washington, D. C., representing the United States Conference of Mayors.

(There was no response.)

The CHAIRMAN. The next witness is J. P. Kerr, representing the Association of Drainage and Levee Districts of Illinois.

STATEMENT OF J. P. KERR, REPRESENTING THE ASSOCIATION OF DRAINAGE AND LEVEE DISTRICT OF ILLINOIS, VERSAILLES, ILL.

Mr. KERR. My name is J. P. Kerr, and I represent the Association of Drainage and Levee Districts of Illinois.

We wish to speak just a few words in regard to the Townsend bill, which we bitterly opposed in its inception, but we would like to represent to you that we are heartily in favor of it with these considerations; that this money should not be made a dole. Our people out in Illinois want this to be a pension and not a dole.

Mr. VINSON. Will the gentleman yield?

Mr. KERR. Yes, sir.

Mr. VINSON. Are you representing an organization?

Mr. KERR. Yes, sir.

Mr. VINSON. Has your organization taken action with reference to the Townsend plan?

Mr. KERR. They have not taken official action; no, sir.

Mr. VINSON. Are you speaking, then, for that organization or are you speaking in your individual capacity?

Mr. KERR. Both.

Mr. VINSON. If they have not taken action, how can you speak for the organization?

Mr. KERR. I know them real well and am in contact with them. If you object to my appearance, of course, I will withdraw.

Mr. VINSON. I am not objecting to your being here, but I think you ought to know in what capacity you speak. If your organization has not taken action, it seems to me you ought to speak in your personal, individual capacity.

Mr. KERR. I will combine the two. I am well acquainted in that part of the State of Illinois. I know how the sentiment has changed in that part of Illinois, down in my section, in the Illinois River Valley. That is why I speak here.

The CHAIRMAN. Do you understand that the benefits of the Townsend plan are represented by a dole?

Mr. KERR. It all depends upon the administration of it and the qualifications and the amount.

The CHAIRMAN. The Townsend plan provides for the administration, the allocation, and the amounts—it is all very specific. I do not see anything to indicate that it is a dole.

Mr. KERR. We are speaking about the entire subject you are studying, the relief of the aged.

Mr. VINSON. As a matter of fact, instead of being a dole, it does not exclude anyone over 65 if they quit work.

Mr. KERR. A dole requires a man to be a pauper in order to be a beneficiary. A pension honorably retires a man from active service respectably. Therefore we have taken the position and as we associate with our fellow business men, that all pensions should be eliminated. I have paid thousands of dollars in taxes to my Government and to my State, and at his age, if I needed the money, I am not eligible to any pension. My mail carrier has received a good salary for years and has worked 3 or 4 hours each day and yet he can retire after 25 years of service on a good, wholesome pension.

So we are taking the position, as we associate with our business associates, that all governmental, professional, and industrial pensions should be eliminated—all of them—and that they should be incorporated in this one idea of a national pension for old age, for people past 60 or 65 years of age; and that the Government should be the institution that would insure to every living man and woman an honorable maintenance after they are 60 years of age.

Mr. KNUTSON. How would the average couple in a small town spend \$400 a month, when the man probably had never earned more than \$75 a month in his life?

Mr. KERR. I am not insisting that it be \$400. We regard that as an open question and subject to compromise. But it should be sufficient to allow a family to live reasonably and make them purchasers.

Mr. KNUTSON. I am just asking if you have any idea as to how that money should be spent or could be spent.

Mr. KERR. Personally, I would not recommend \$200. I would lessen it.

Mr. KNUTSON. What would be your idea?

Mr. KERR. I should say that \$100 for an individual, such as a widower or a widow, or where the husband and wife are living \$150, would be a wholesome pension for the family.

Mr. KNUTSON. Suppose the husband had never earned more than \$100 a month.

Mr. KERR. There are a great many people that do not earn that.

Mr. KNUTSON. Do you not think that they would be a little bit too old to learn new methods of spending money?

Mr. KERR. That leads me to a most important point of the Townsend idea. It took me a long time to see it myself. That is, with these billions of dollars to be expended in this coming year, if the Townsend idea was to become a law, we would have 6 or 7 or possibly 8 million people that would be made employers, scattered all over the country. Suppose I were to be unfortunate and lose my income. I would become an employer. I would be an employer in my community and a distributor each month of \$100 or \$150. I would cease to be an earner myself, and thereby I would become an agent of the Federal Government in relieving unemployment, and I would buy the things that I have gone without for years, and my wife would buy things that she has gone without for years. That would be true of thousands and millions of our people.

Mr. KNUTSON. You speak of becoming a disbursing agent?

Mr. KERR. We would be in a way a disbursing agent, employing these people around us who are unemployed, giving them wages. We would be agents for the Government, if you please, in promoting this improvement in the economic situation about which we are talking so much.

Mr. KNUTSON. Do you think that \$200 to each individual who is past 60 will increase business 500 percent?

Mr. KERR. I would not say 500 percent, but I would regard it as one of the most tremendous factors in the development of industry, in the increase of employment, in the decrease of unemployment, all the way up and down the line. I have a half a dozen men around me at home who have nothing to do, and I cannot employ them because I am a farmer.

Mr. KNUTSON. If \$200 to each individual would increase the volume of business by 500 percent, as is claimed, \$400, of course, to each individual would increase the volume 1,000 percent.

Mr. KERR. That is true; but there is a wholesome limit to all things.

Mr. KNUTSON. That is what we are trying to determine here, and I am just asking for information.

Mr. KERR. I would regard with suspicion the value of a \$200 pension. I would prefer to start on a \$100 basis as applied to my part of the State.

Mr. WOODRUFF. Have you given any thought to the method by which you would raise the money that would be necessary to pay such a pension?

Mr. KERR. Yes, sir. The great outstanding factor that converted me to this proposition was this: That there are millions of people putting in millions of dollars into insurance companies for old-age

protection, many of whom lose that in the process of time. Millions of dollars go into the fund for old-age protection right there. All right, eliminate that whole thing; eliminate the tax on industry for pensions in industry. Eliminate that tax and eliminate the pensions to Federal or other Government employees, and lump them all into one sum and pay a pension to everybody.

Mr. KNUTSON. It would be your thought, then, to liquidate all insurance companies?

Mr. KERR. They would naturally liquidate. They would cease to be able to function, which many of them have already done, in some respects. I know a great many people who have lost their savings, the savings of a lifetime, that they have put into insurance companies, and the insurance companies have gone broke, or, because of a lapse in the payment of premiums during the depression, these people would lose every dollar that they had put into it, and were penniless when they come to the 60-year-old age.

But if you have a Government agency to protect everybody, and concentrate every dollar of it into this one agency, you have one great governmental institution, protected by the Government, and applying to everybody, and I believe it would be the grandest thing that ever happened in this country.

Mr. THOMPSON. Mr. Kerr, you certainly do not want this committee to believe or to get the impression that you are expressing the views of a drainage association regarding pensions. From your statement one would take it that you do not favor, for instance, veterans' pensions. You want all pensions abolished.

Mr. KERR. My father-in-law served in the Civil War and drew a pension of \$90 a month. His brother, who had never seen any battle in the Civil War, drew \$90 a month. I would say that any able-bodied soldier, no matter who he is, should not draw any pension until he reaches the age of 60 unless he was disabled.

Mr. THOMPSON. Let me follow up the line of questioning of my colleague, Mr. Vinson. What connection have drainage districts with this security program, so far as they are combined in an association of drainage districts?

You and I the other day appeared before the Rivers and Harbors Committee on a matter of interest to drainage districts. Certainly I am surprised to see you here today talking on behalf of a drainage district. I can understand if you talk of your own views. But you said that you were talking for a drainage district.

Mr. KNUTSON. It may be that they want to drain the Federal Treasury.

Mr. KERR. My association has employed me for 12 years consecutively to come down to Washington to look after their interests. As an organization they are not especially interested in old-age pensions—that is, as a corporation. But as individuals, they are. Of course, I am not pledging them to this. But as I know them and as they know me, why, we are in favor of it.

Mr. THOMPSON. Of course, if you are authorized to speak for them, that is one thing. The committee is very anxious to obtain the views of the people back home on this subject. If you have an organization of farmers in the Illinois River Valley, such as your drainage association, that means something to this committee. They would have considerable weight with the committee. But certainly

drainage-district associations are going far afield when they enter into a controversy of this nature, as organizations.

Mr. KERR. My association is also interested in bankruptcy laws. They are also interested in farm bills, agricultural relief.

Mr. KNUTSON. I submit that drainage is involved in this matter.

Mr. KERR. Oh, yes.

Mr. TREADWAY. I have listened with a good deal of interest to your old-age scheme of pensioning everybody whether or not; but it would not a good deal of money, would it not?

Mr. KERR. There is an immense amount of money that goes into these pensions, anyhow, in industry.

Mr. TREADWAY. But your scheme would take quite a little money, would it not?

Mr. KERR. Yes.

Mr. TREADWAY. How much?

Mr. KERR. I could not tell you.

Mr. TREADWAY. Why did you not figure it out before you came here to testify as an expert witness?

Mr. KERR. We are looking at the situation as an economic question.

Mr. TREADWAY. Of course, we have got to look at it that way, too—that is, the taxpayers have to.

Mr. KERR. Yes, sir.

Mr. TREADWAY. Never mind, if you do not know how much your scheme is going to cost. But where is this money coming from? How are you going to pay the bill?

Mr. KERR. The sales tax is a good point from which to begin.

Mr. TREADWAY. How much would you get from a sales tax?

Mr. KERR. It would depend upon the amount that you would assess.

Mr. TREADWAY. You are absolutely right. Suppose you assess 2 percent. How far would that go toward paying the bill?

Mr. KERR. I think it would reach it pretty adequately.

Mr. TREADWAY. You are mistaken, my good friend.

Mr. KERR. We pay 2 percent in Illinois now.

Mr. TREADWAY. You think that a sales tax would take care of this universal pension that you are talking about?

Mr. KERR. I cannot speak as an actuary; no.

Mr. TREADWAY. You have evidently shown that you cannot speak as a drainage expert, and now you say you cannot speak as an actuary. You are just talking as a plain American citizen?

Mr. KERR. Yes, sir.

Mr. TREADWAY. That is all right, and we are glad to hear you as such. But it does seem to me that you ought to have a little more actual knowledge, more facts, to present to this committee. You are suggesting a tremendous drain from some source on somebody. I am trying to find out where you are going to get this money that you are telling us to spend. It is advisable, when you are starting out to spend some money, to have some money in your pocket to start with.

Mr. KERR. We are getting that money from the same sources. We are now paying pensions to Government employees as they retire.

Mr. TREADWAY. But what percentage would that be for the plan that you are talking about?

Mr. KERR. Also we have industry.

Mr. TREADWAY. They are pretty well taxed now. If you are going to tax them some more, you are going to put them out of business, confiscate them.

Mr. KERR. No, sir.

Mr. TREADWAY. You would have to confiscate them if you paid your bill.

Mr. KERR. My point is that there are a large number of separate units throughout the country—governmental, professional, industrial, and otherwise—that are contributing moneys for old-age pensions. My theory is to eliminate them all and combine them all into this one scheme.

Mr. TREADWAY. We had an occasion this morning of an association that employed about 700,000 people who might be affected by this legislation. We had a case yesterday in which the people had earned their way to a possible pension or into a pensionable State by employment. That involved something like 2,000,000 people. They had earned their way. You are talking now about large numbers, millions, who have not earned anything to be pensioned for, so far as I have been able to see up to this time, from the remarks you have made. Personally, I would be interested in knowing where you are going to get this money.

Mr. KERR. Where are we going to get this money?

Mr. TREADWAY. Yes.

Mr. KERR. We will eliminate all the other sources—all of them—through a process of time, and combine them into this one source. Then industry would not have to charge the consuming public any pension costs, as they will under the bills that are pending. Our school systems would not charge any money to pensions, as they are now. Our Government will not charge any money to pension bills, as they are doing now. All of those charges will be eliminated, reassembled, and combined to take care of this in one organization.

Mr. TREADWAY. You say a branch of the organization pays your expenses to Washington?

Mr. KERR. Yes, sir.

Mr. TREADWAY. I am glad I am not a stockholder in it.

The CHAIRMAN. As I understand you, it is your idea that this committee should recommend the passage of legislation pensioning all people within a certain class?

Mr. KERR. Of a certain age.

The CHAIRMAN. It is your idea that it should be \$100 each for a widow or a widower living separately, but that where two persons live together it should be \$150 for the two?

Mr. KERR. Yes; that a difference be made.

The CHAIRMAN. You recommend that?

Mr. KERR. Yes. That would be my judgment.

The CHAIRMAN. And if the Congress should enact legislation of that kind, how much do you say that would cost? We should know first, because this committee then would be charged with the duty and the responsibility of raising the revenue to meet the cost and to meet the authorization. You should be able to tell us how much it will cost and just how we would get the money.

Mr. KERR. Mr. Townsend has figured up the total sum in connection with his bill of \$200 a month.

The CHAIRMAN. How much would that be?

Mr. KERR. And that may be graduated as you lower the allowance per individual.

The CHAIRMAN. If he figured \$25,000,000,000, how much would it be under your plan?

Mr. KERR. Oh, it would come down to \$15,000,000,000, or something like that.

The CHAIRMAN. How would this committee proceed? If we authorize spending that much money, then it would be our duty to raise that amount of money. That is our responsibility, to recommend to the Congress how the money is to be raised. You ask us to pass a bill authorizing the raising of that money. You should tell us how we could raise it. You cannot get it by contribution. The only way in the world that you could get it would be by taxation, and on what should we impose taxes in order to raise this \$15,000,000,000 relief?

Mr. KERR. I would resort to the sales tax, as suggested.

The CHAIRMAN. As my colleague has said, a 2-percent or a 3-percent sales tax would not be more than a drop in the ocean.

Mr. KNUTSON. Mr. Chairman, may I say right there that they claim it is going to jump the gross volume of business up to \$200,000,000,000.

Mr. KERR. Those are estimates.

Mr. KNUTSON. Yes; although I am taking the figures. Two percent sales tax would not be more than a drop in the ocean.

Mr. KERR. Yes.

Mr. KNUTSON. The Townsend plan calls for an expenditure of \$18,000,000,000 to \$20,000,000,000 a year. Where are we going to get the other \$16,000,000,000? Let me call your attention to the fact that there have been only a billion minutes since the dawn of the Christian era. In other words, it would be incumbent upon this committee to find new sources of taxation in order to raise \$14 for every minute since the dawn of the Christian era. Have you any suggestions as to where we can go and get that money? We could pass the Townsend plan, but unless we provided the money to carry it into effect, it would be worthless, would it not?

Mr. KERR. Yes, sir.

Mr. KNUTSON. I have told you how we can raise \$4,000,000,000, but where will we go to get the other \$14,000,000,000, or \$16,000,000,000?

Mr. KERR. You are giving me rather a large order for a farmer.

Mr. KNUTSON. No. We have got to do that.

Mr. TREADWAY. You are advocating this proposition?

Mr. KERR. Yes, sir.

Mr. KNUTSON. We must know where the money is coming from. It would be cruel for us to report a bill favorably and then fail to make provision for paying the money; do you understand?

Mr. KERR. Yes, sir.

Mr. KNUTSON. I have a lot of sympathy for you, but we are looking for help. We want you to be helpful, and we want you to tell us how to raise this money.

Mr. KERR. I just want to tell you gentlemen this, that there have been millions and millions and millions of dollars sent out that have

done more damage than good, more than we ever dreamed, and from which we shall not recover for many years.

Mr. KNUTSON. I think there is no doubt about that.

Mr. KERR. Now, let us stop that. Let us stop my neighbors down there from sitting around, smoking their cigarettes, and chewing their snuff, and drinking their beer, and getting the money from the Federal relief. Let us stop that and make them work for their living, as we older fellows always have done.

Mr. KNUTSON. Supposing we added all the moneys that we are spending in relief to the \$4,000,000,000 that I have already told you about, that would be \$9,000,000,000. Will you tell us where to go to get the other \$9,000,000,000?

Mr. KERR. If you applied that \$9,000,000,000, distributing the money among the people who are indigent or who are past the age of 60, I am pretty sure that this country will learn a very pleasant lesson.

Mr. KNUTSON. Why should I pay taxes to give Mr. Rockefeller \$200 a month? He would be eligible under the bill that I have before me. So would J. P. Morgan.

Mr. KERR. You pay it whether you wish to or not.

Mr. KNUTSON. But why should I?

Mr. KERR. You are doing it.

Mr. KNUTSON. Why should we give a baker bread?

Mr. KERR. We are doing it. I am paying pension bills for my mail carrier. I am paying pensions for my teachers whether I want to or not. I am paying pensions for every Government employee that has retired from active service. I must pay it, and I have paid it. Why should not somebody pay a pension to me?

Mr. KNUTSON. Would you be in favor of putting a limitation into it that would provide that no one who had an income of over a certain amount, say \$100 a month or \$150, should be eligible?

Mr. KERR. Yes, sir; I would.

Mr. KNUTSON. You think that is a weakness in the Townsend bill, do you not?

Mr. KERR. It is a weakness in the Townsend bill; yes, sir.

Mr. KNUTSON. That would save us some money?

Mr. KERR. Yes, sir.

Mr. KNUTSON. It might save us two or three hundred million. I do not know.

Mr. KERR. Yes.

Mr. KNUTSON. I am still worrying about where we could get the other \$9,000,000,000.

Mr. KERR. Well, if you ask me, we will not spend any more money than we have got, anyhow.

Mr. KNUTSON. You have said something about the Government employees' pensions. You know they are paying 3 or 3½ percent of their salaries into that fund, and that the Government has not put any money into that fund since it was created?

Mr. KERR. I would be delighted if I could get a Government position. I would be very well satisfied with a Government position and Government salary.

Mr. KNUTSON. Unfortunately, there are thousands back home who feel the same way.

The CHAIRMAN. Mr. Thompson.

Mr. THOMPSON. Apparently, Mr. Kerr, your organization in the Illinois drainage districts is in favor of the sales-tax idea, or at least you yourself are in favor of it?

Mr. KERR. We have approved it; yes, sir.

Mr. THOMPSON. How does your association feel about the 2 percent occupational tax in the State of Illinois?

Mr. KERR. We have acquiesced in it as the best means of getting along. We feel that it has the result that everybody is a taxpayer now in Illinois, and I think in the end there will be benefits.

Mr. THOMPSON. Then your organization does endorse the occupational tax in Illinois?

Mr. KERR. Yes, sir.

Mr. THOMPSON. Do you believe that Federal salaries are too high?

Mr. KERR. I beg your pardon?

Mr. THOMPSON. Do you believe that the mail carrier on your route gets too much money?

Mr. KERR. Yes, sir. I could duplicate my mail carrier, and he is just the average mail carrier. I could duplicate him for half the money, many times.

Mr. THOMPSON. Do you not believe the Federal Government should set up decent wages, in keeping with the high standard of living in America?

Mr. KERR. That is all right; but, if you ask for bids for mail carriers for my route, you will find plenty of men that will carry that mail for half the money he is getting and make money by it or make a good living.

Mr. THOMPSON. That is all.

Mr. HILL (acting chairman). Thank you very much for your appearance, Mr. Kerr.

Mr. KNUTSON. Well, we are still \$9,000,000,000 short.

Mr. HILL (acting chairman). We will call the next witness.

Mr. C. C. Mayer, Washington, D. C.

STATEMENT OF C. C. MAYER, REPRESENTING THE END POVERTY IN CIVILIZATION SOCIETY

Mr. MAYER. I appear here as the representative of the society organized and started in California to "End poverty in civilization", not by hobbling industry by taxing it more and more all the time and reducing the output and reducing employment, but by having insurance, or assurance instead of insurance, to have a guaranty of a job for everybody who is able to work and willing to work, and taking care of those who are unable to work through old-age pensions.

The history of our Government from the time that Washington was inaugurated has been built up economically on the basis that every dollar put into circulation should be a debt against the person who uses it, instead of a credit for wealth that is created. We gave the privilege of issuing money to private individuals. Mr. Hamilton organized the first bank for the United States, and he and his colleagues, most of them in Congress, took over the power to coin money, and that bank went out of existence in 20 years; and then another bank carried along until the most courageous and the best Democrat we have ever had, Andrew Jackson, put them out of

existence and wiped out all of the debt of the Government. That was one time when there was no debt.

This bill proposes to increase the debt. We have \$250,000,000,000 of debt of all kinds. We are on the wrong road. You have got to reverse yourselves. The Supreme Court is going to tell you that gold is not money. Money is the fiat sovereign power of the Government against all the assets, whether it is brass or kilowatt-hours of electricity or anything else. We have got to take over the control of money and the right to tax people for the use of money. Instead of destroying wealth and pauperizing people by spilling milk over the highways, burning cotton, and destroying fruit, we have got to distribute it so that you do not put the person on the dole and pay a higher price for something that you are destroying.

Only by producing wealth for everybody to earn is it going to be possible to keep the country from going deeper and deeper, and sinking lower and lower in the economic scale. We have no standard of living here. If there were 30,000,000 families at \$1,000 a year income, there would be \$30,000,000,000 turn-over there. If they had what Brookings Institute says is a fair standard of living, \$2,000 or \$2,500, we would have \$60,000,000,000 or \$70,000,000,000, at \$2,500 per family, and if we had such an income our facilities at present, if everybody were employed, with all the mechanical processes we have to produce goods and distribute them in the channels of trade, there still would not be sufficient to meet the demand.

People do not buy, they do not pay taxes, because they have no money with which to buy. There is only \$45,000,000,000 turn-over now, I believe, in the last calculation, and there was formerly \$90,000,000,000, and it is proposed to get more money by restricting and decreasing the employment, by charging those who work part of their pay, so that there is no buying power, there is much less buying power, and then you pay them for being idle. You may as well put all the horses in the country, or those which cannot work profitably, into the stable and feed them, instead of turning them loose in the fertile fields and letting them earn their way, and letting people earn their way on the same basis.

There is an unlimited demand among the poor for more shoes, more clothes, more milk and break, and cotton, and under the State plan that exists in Ohio, these cooperative societies, under the State management, I understand, are producing mattresses and various other products that can be exchanged on a bargain and trade basis, on a scrip basis, instead of on a money basis. We are either going back to the cave man's age, tending in that direction, or we are going to junk the present method of doing business, of increasing debts up above \$250,000,000,000, instead of decreasing them. Produce your wealth. Collect through taxes. Call it a "sales tax." Well, that is mostly the way we get our taxes now, indirectly. We do not call it a sales tax. It is a tax on cigarettes of 6 cents on cans, which is a sales tax. The tax on gasoline is a sales tax. The tax on electric power, a billion dollars a year, is a sales tax, but the public does not get it. You have let the people who control the constitutional, sovereign, vital, fundamental, all-essential important power to issue money, get that. They take their bonds, their bondage bonds, and they order printed money for them at 30 cents a thousand dollars, or 40 cents a thousand.

The CHAIRMAN. Your time has expired.

Mr. MAYER. May I have leave to extend?

The CHAIRMAN. You have that privilege.

Mr. MAYER. And I would like to ask the privilege of quoting Speaker Byrns, page 11,836, June 15, last year. He said that the appropriations of Congress had been nominal, small compared to the power of Congress to secure money; that they could get \$10,000,000,000 by setting aside the alcohol revenues, and in the same way you can get your \$25,000,000,000, by setting them aside.

The CHAIRMAN. Do you say Speaker Byrns said that?

Mr. MAYER. Yes, sir—11,836.

Mr. KNUTSON. It is a good thing it was not found out while he was a candidate for Speaker!

Mr. BUCK. Mr. Chairman.

The CHAIRMAN. Mr. Buck.

Mr. BUCK. I would like to ask this gentlemen whether he believes the Townsend old-age pension plan would fit into the scheme of economic security that he recommends?

Mr. MAYER. It is not possible under any plan that is now proposed. You cannot give one man \$200 a month, unless the average family of five is getting a thousand dollars a month. If the average income per family is \$200 a month, then the one old person in that family may have reason to have \$50 or \$40 or one-fifth of that.

The CHAIRMAN. Have you prepared a bill embodying your views?

Mr. MAYER. I would like to say that Mr. Sadowski last year offered a bill, no. 9931, providing for assurance.

The CHAIRMAN. That is not a bill which you prepared?

Mr. MAYER. No, sir; I would like to offer his bill as a substitute for a part of your bill, title VI.

The CHAIRMAN. How much does his bill authorize?

Mr. MAYER. I do not know that it authorized anything.

The CHAIRMAN. You ought not to favor it if you do not know what it authorized.

Mr. MAYER. I favor it, because his idea was to employ everybody on a wealth-creating basis under an established or existing prevailing industrial wage.

The CHAIRMAN. We thank you.

The CHAIRMAN. The next witness is Miss McGuire. Please come forward and give the stenographer your full name and address.

STATEMENT OF MISS LOUISE MCGUIRE, REPRESENTING THE NATIONAL ASSOCIATION OF CLASSROOM TEACHERS

Miss MCGUIRE. I represent the National Organization of Classroom Teachers. That organization is affiliated with the American Federation of Labor.

First of all, I want to say that our organization is greatly heartened and edified by the President's proposed economic social security program. We come in contact with misery, with broken homes, with children who are neglected, with children who are delinquent, some of them, and all of these, or most of these, I would say, come into this condition because of factors over which they have no control, or at least a very imperfect control.

Mr. Green has put forth the view of labor, and so I shall not take up any of those points which he covered, but there are one or two items which I would like to ask. The first is, I would like to ask that you give special attention to the white-collared class in relation to the provisions of this proposed bill. I ask this because most of these people are not eligible for the average community's resources. In other words, not only the white-collared class but the group that are just above the so-called "poverty line" I am speaking about. For instance, if you are very poor, you have access to free clinics, to free legal advice, and to other community resources. If you are very wealthy, you can pay for those; but if you are just above the line you really are not eligible for any of this, and we come constantly into contact with families who sacrifice practically everything in home life in order to stay independent. That is, the wife goes out to work or the family, already living in crowded quarters, take in roomers or boarders, or the children go out to work, even those that would be probably much better off if they stayed in school.

Both of these groups are potentially large consumers, if they had the power to consume.

Also, I want to ask special consideration to the handicapped group as outlined in the bill. There are very inadequate resources and opportunities at the present time for crippled people, either children or adults, for any training to make them independent, to make them self-supporting. Many of these are in school now, and there are very few arrangements at the present time, even in the schools, to take care of these.

The majority of these persons are helpful members, or could be helpful members, of society if they had the chance to be.

Also, I wanted to ask specially that the provisions for the fatherless family, the "mother-headed family", so-called, in which the mother is employed as the breadwinner and is also the home maker.

We come across these cases constantly in the schools and in social agencies. The mother goes out to work and the home usually goes to smash. The children are without care, and then they get into delinquency.

The country is spending \$6,000,000,000 in palliative measures and very little on the constructive side, so that we are agreed that the provisions in this bill should go through. This is the first comprehensive, constructive, proposed bill, I think—anything at least that I know about—in the social and economic security situation, and we do hope that all of the measures will be included.

The second point that I want to ask is on the administrative side, and we are asking that safeguards in local or State communities may be had through Federal supervision or advice or arrangement. I do not know how that will be worked out, but meanwhile I have in mind the Negro in certain sections of the country. We know that they do not get the same "break" as the white children and white people, not so much the children in industry but in the whole social security program.

There is one question that I would like to ask, or one illustration which I would like to give, because I do not know whether it would come in before this group or not, and that is that in the emergency relief arrangements certain work projects are under way. These work projects fall into really hazardous occupations. Men have been

injured, or, in the illustration that I gave of the man that was killed, there were a wife and five children left without any means of support. Now, under the State constitution, I am told—and this happened to be in Texas—that person or that family is not eligible to come under the workmen's compensation law. I understand that is true in a number of the States. I do not know whether any provision in this sort of a bill can come in to include that kind of a group or not, but I did want to put that illustration before this group.

The CHAIRMAN. Have you concluded your statement?

Miss McGUIRE. Yes.

The CHAIRMAN. Mr. Lewis.

Mr. LEWIS. I know that in Maryland teachers are pensioned, and I think that is also true in the District of Columbia. Are they generally pensioned throughout the States?

Miss McGUIRE. I am not familiar with that. Those that I know I think are generally pensioned throughout the States, particularly New York.

Mr. LEWIS. If there is any general rule as to the age at which they become pensionable, will you give it to the committee? What is the pensionable age in Maryland?

Miss McGUIRE. I would not know without looking up the individual State law.

Mr. LEWIS. What is it in the District of Columbia?

Miss McGUIRE. I do not know that. Usually it is based on the years of service in teaching, rather than on age, in a great many of the States.

Mr. LEWIS. There is no compulsory age of retirement for teachers within the District of Columbia?

Miss McGUIRE. I do not know that.

Mr. LEWIS. Where do you teach, Miss McGuire?

Miss McGUIRE. I teach in a college at the present time, which does not come under the pension system at all, and I also am in social work, connected closely with the schools, but I am not eligible for a pension under the school system at all, so I do not know that.

The CHAIRMAN. We thank you for your appearance and the testimony you have given the committee.

Mr. KNUTSON. I would like to ask Miss McGuire a question. How does this legislation meet with your views?

Miss McGUIRE. Very well. I hope it all goes through.

Mr. KNUTSON. Do you think we are making adequate provision for the handicapped people?

Miss McGUIRE. Yes; I think that would probably be as adequate as one could possibly expect at this time. My whole object in being here is to give my approbation of the features of that bill and to ask that you give it the same support that teachers give it, to see that it goes through.

Mr. KNUTSON. Thank you.

The CHAIRMAN. Mr. Treager. I did not get his full name. Representative Lewis said he had requested an opportunity to be heard, and it was at the suggestion of Mr. Lewis, a member of the committee, that his name was put upon the calendar. Is Mr. Treager present?

The CLERK. He does not answer.

The CHAIRMAN. Miss Susan Lawrence Davis.

STATEMENT OF MISS SUSAN LAWRENCE DAVIS, WASHINGTON, D. C., REPRESENTING THE TOWNSEND-DAVIS CLYSTERTORY HEALTH TREATMENTS, ATHENS, ALA.; ALSO REPRESENTING MRS. TOWNSEND, CORSICAN, TEX.

MISS DAVIS. Mr. Chairman and gentlemen of the committee, I have come to ask you to assist me in reviving a piece of social-security legislation that was introduced just before we went into the World War. It was introduced by John P. Bankhead, the father of the two Bankheads now in Congress, on January 22, 1917, the day that President Wilson read his 14 peace points, but we soon went to war with Europe, and we just finished it last Tuesday, and I have been on the firing line with this amendment ever since, and now I wish to finish this, and it is appropriate to this social-security bill that you have before you.

THE CHAIRMAN. You are recognized for 5 minutes.

MISS DAVIS. I will read the amendment, if you please, that he introduced to this bill [reading]:

That there shall be established a division of personal hygiene and human sanitation, based on the Townsend-Davis clystertory method (intestinal cleansing), for the prevention of infantile paralysis and other diseases, and to investigate this method as a cure of infantile paralysis to the end that the disease be controlled and cured.

That an appropriation for the purchase of said Townsend-Davis clystertory method be made by the United States Government, the sum to be \$1,000,000. That said method be disseminated by bulletins of instruction and personal demonstration to the people of the United States and possessions for the prevention of infantile paralysis and other preventable and curable diseases, cancer, appendicitis, high blood pressure, and the common cold. The common cold alone causes the loss of billions of dollars to the American people every year.

The duty of this division shall be to investigate and encourage the adoption of improved methods of human sanitation and the use of said method in ridding the human intestines and blood of the waste material. The retention of material similar to pus and mucus in the small intestines and stomach is the cause of infantile paralysis and other diseases, and the Townsend-Davis clystertory method removes this cause.

This division shall be known as the "Bureau of Instruction in Hygiene for the Prevention of Disease", and shall be a clearing house for all methods of hygiene, nonmedical, not already recognized, for the conquering of loathsome diseases by instruction in the care of the body. A nominal sum to be charged for said instruction will maintain the bureau.

THE CHAIRMAN. Does that complete your statement?

MISS DAVIS. Yes, sir.

THE CHAIRMAN. We thank you for your appearance.

MISS DAVIS. I thank you. Excuse me, Mr. Chairman—I ask that that be attached to this section of the bill that you have before you, 803. If that is amended on that section, I think it will be appropriate.

THE CHAIRMAN. All right.

MISS DAVIS. And I ask you to consider it.

THE CHAIRMAN. The next witness is Mr. I. Amter.

STATEMENT OF I. AMTER, NEW YORK CITY

MR. AMTER. Not having adequate time, Mr. Chairman and members of the committee, to present a real picture of the unemployed situation of the country, I have condensed it into a statement, and

I hope that later I will be able to enter something into the records of the meeting of this committee.

First, I want to say that I represent the only Nation-wide unemployed organization in the United States, having close to 500,000 organized unemployed in our organization in 42 States of the country; and in the name of this organization and the 16,000,000 unemployed in the United States, I wish to state categorically that the unemployed reject the Wagner-Lewis bill, since they do not come within the provisions of the bill. For that reason the unemployed support the workers' bill, H. R. 2827. This bill has also been endorsed by more than 2,500 locals of the American Federation of Labor, 5 internationals, 6 State federations of labor, and upward of 50 central labor bodies. To this must be added a large number of fraternal, farm, youth, Negro, veteran, church, and professional organizations, and so forth. Sixty municipal councils, including such cities as St. Louis, Minneapolis, Buffalo, Milwaukee, and, since our national congress, Youngstown and Lynn, Mass., have endorsed the workers' bill. In other words, 4 to 5 million people are rallying behind the workers' bill.

On June 8 Mr. Roosevelt stated in his message to Congress, "Among our objectives I place security of the men, women, and children of the Nation first." No one can question but that the unemployed are the most insecure.

The question was asked of a previous speaker as to the number of unemployed in the United States. Nobody knows, not even the United States Government. We will have correct figures only when there is instituted a system of unemployment insurance embracing every worker in the country. The national committee on economic security speaks of 10,000,000 unemployed. William Green says there are 11,500,000 unemployed. We declare there are 16,000,000 unemployed, and the number is growing. The unemployed are not only the manual workers but include hundreds of thousands of white-collar workers, professionals, farmers, and so forth. Among the unemployed are 5,000,000 of the youth of the country who have graduated from schools and colleges and have never obtained work.

I want to interpolate a word. The United States Commissioner of Education, Dr. Zook, issued a statement, I think it was last October, to the effect that in the 5 years of the crisis, 7,000,000 boys and girls have graduated from high schools and colleges in the United States. At the beginning of the human-needs campaign that was inaugurated in New York City I think about 2 months ago, Newton D. Baker had an article in the New York Times. Commenting on the statement of Dr. Zook, he said:

Of this number, no more than one-third have ever obtained work, and they have only worked part time at very low wages. •

I need not say a word about the situation of the children, which is well known, in that the Department of Labor has already stated that 25 percent of the children of the United States are undernourished.

The Federal Government recently announced a program for the unemployed. One million five hundred thousand are to be thrown on the mercy of the States, municipalities, and private charity. The nature of their relief can be gathered from the F. E. R. A. report of

September, which I have here. This report shows that in Kentucky families on relief receive an average of \$8.21 a month. North Carolina, Virginia, and Arkansas ranged at only slightly higher, whole families being compelled to subsist upon that amount of money during the period of a whole month.

The Government's further program is to put 3,500,000 on public works, for which an appropriation of \$4,800,000,000 is sought. As for the remaining unemployed no provision is made whatever. The report of October of the United States Department of Labor shows that 1,950,000 on relief jobs received an average of \$26.16 a month, about \$6 per week. The \$4,000,000,000 appropriation cannot afford what Mr. Roosevelt promised, namely, \$50 a month for a period of more than 2 years, for which the appropriation runs, but only \$24.39 a month. This is nothing but forced labor. Can one therefore have the hardihood to call this "security"? We demand union wages and conditions on all jobs and an adequate number of hours per week.

Into this situation was catapulted the Wagner-Lewis bill. This bill makes absolutely no provision for the unemployed, nor even for workers who, after the bill goes into operation, are supposed to receive unemployment compensation if they are laid off. It merely states that a 3-percent pay-roll tax shall be imposed on the employers, to be reduced to 2 or 1 percent depending on the business index. This tax will be handed on to the worker in the price of the product. Out of the report of the National Committee on Economic Security we gather that the compensation would amount to 50 percent of the worker's wage with a maximum of \$15 a week. No minimum is established. I would like to interpolate another word. The Federal Government recently established a minimum wage scale for the pecan-shelling industry, a very unimportant industry, it is true, an industry that involves only 15,000 workers in this country, but the minimum wage was established at the outrageously low figure of \$6 per week for 35 or 40 hours of work, and I want to state that the whole N. R. A. legislation has shown consistently that where Negro workers are involved, there the wages are low, and the pecan-shelling industry is almost completely made up of Negro workers, and with no minimum established, the worker in the pecan-shelling industry cannot earn \$3 a week.

The worker may receive compensation for 15 weeks and under particular conditions for 25 weeks after a 4-week waiting period. Then he joins the workers on relief. This is supposed to be "security."

As for the old-age pensions, aid for dependent children, child welfare, and so forth, we can only say that the Government is making a shamefully inadequate provision. It would appropriate for all ordinary items enumerated a total of \$90,500,000 a year for all these items. Quite naturally the bankers and manufacturers do not object to this program for it does not cost them a cent.

As against this program, we put the workers' bill, which provides for the unemployed and all workers for the full period of disability at Government expense, based on taxes and income above \$5,000, inheritances, and so forth.

Furthermore, we lay down a basic principle in connection with social-unemployment insurance. That is, the worker has the right to live. In order to live, he must earn his living. In order to earn

his living he must have a job. When he is denied the opportunity to earn his living, because he has no job, because the employer cannot make any profit out of him, this worker shall be compensated to the full extent of his potential earnings, no matter what it may cost. That worker has that right, and that is our contention.

Now, if I may conclude, we might ask why there was such haste in introducing the Wagner-Lewis bill in the last session of Congress, namely 3 days after the introduction of the workers' bill—on February 5, the Wagner-Lewis bill; the workers' bill on February 2—and now again is being put through the Ways and Means Committee with all urgency. This is due to the fact that the campaign for the workers' bill is growing tremendously, because the workers recognize that it is the only bill representing their interest. We urge the Ways and Means Committee to endorse the workers' bill and to report it favorably; but we state finally, we assure you that we will not stop fighting until the workers' bill is enacted into law by the United States Congress.

I wish that, as I stated in the beginning, I might be able to give you a more adequate picture of the situation of the unemployed in the United States.

Mr. REED. May I ask a question?

The CHAIRMAN. Yes, sir.

Mr. REED. Who is the author of the workers' bill?

Mr. AMTER. The original writer of the workers' bill was the Communist Party, and it was then popularized among the masses of this country, through 4 years of struggle by the National Unemployment Council.

Mr. REED. You say it is introduced now in Congress?

Mr. AMTER. It was introduced into Congress. I have a copy here that I will leave with you.

Mr. REED. Who is the author of the bill? Who introduced it?

Mr. AMTER. Congressman Lundeen.

Mr. REED. Thank you.

Mr. AMTER. I might state further that the bill has already been introduced into the State Legislatures of California, Massachusetts, and Connecticut, and is about to be introduced in 5 or 6 more States.

Mr. THOMPSON. Is your organization communistic?

Mr. AMTER. Our organization is not communistic, though I am a Communist. Our organization is made up of all workers, political connections or affiliations making no difference whatever.

The CHAIRMAN. We thank you.

Mr. AMTER. I would just like to say a word.

The CHAIRMAN. Your time is up, but go ahead for one word.

Mr. AMTER. I would like to have introduced, as I said before, a more complete statement of this situation, because I believe it is in the interests of the Ways and Means Committee and also of the Government as a whole, to have an expression of opinion from the followers of this bill, but the incident yesterday made it perfectly clear that when Mr. Benjamin, of the National Joint Action Committee, was ejected from the hall, it would be impossible for me to make a statement such as is necessary, under a situation of this kind.

The CHAIRMAN. He was offered an opportunity to extend his remarks, and he was given the same consideration that every other witness has been given.

Mr. AMTER. I know he was ejected.

The CHAIRMAN. He asked for 5 minutes. We gave him 10 minutes.

The CHAIRMAN. Mr. Henry Ellenbogen, Representative from Pennsylvania, will be heard at this time.

Mr. Ellenbogen, you may proceed for 5 minutes, with the privilege of extending your remarks.

**STATEMENT OF HON. HENRY ELLENBOGEN, REPRESENTATIVE,
THIRTY-THIRD DISTRICT OF PENNSYLVANIA**

Mr. ELLENBOGEN. Mr. Chairman, members of the committee, I thoroughly agree with the principles of this bill. It marks a great forward step in social legislation, and we are all very happy about it.

I should like to call attention to just a few details in order to be able to complete within a short time. As regards old-age security, the bill is divided into three parts; an old-age-pension system for those who are now aged, a compulsory Federal old-age-insurance system for those who are under 60 years of age, and a voluntary system of sales of annuities by the Federal Government for those nonmanual employees who make over \$250.

I should like to urge upon the committee to amend those sections of the bill that fix an age limit of 65 years. As the bill is now drawn, the States would not have the power to pass laws providing for an age limit of 60 years if they desired to take advantage of the grant-in-aid by the Federal Government. I believe that the States should have the power to pass old-age-pension laws which provide for old-age-pension payments beginning at 60 years. I think that discretion should be left to the States, and the Federal Government should not say their laws must begin at 65 years.

I also would like to suggest, Mr. Chairman, that there is no need for the 5-year period from 1935 to 1940, for the beginning of even the 65-year limitation.

Mr. KNUTSON. Upon what do you base that statement?

Mr. ELLENBOGEN. That there is no need?

Mr. KNUTSON. Yes.

Mr. ELLENBOGEN. I will come to that in one moment. I would just like to explain that as the bill is now drafted it provides that after January 1940 the State law must provide that persons 65 years of age or over should be entitled to a pension. Now, I say that that should be changed, if that is to remain in the bill, to January 1, 1937, because all the State legislatures are in session this year, or will be in session next year, and I think if the age limit is to be 65, we should not have to wait until 1940.

I would suggest there be a time limit for 65, and then later on that the States be given power to reduce their time limit to 60 years.

I would also like to suggest to the committee that the maximum contribution of the Federal Government be increased from \$15 per person per month to \$20, so that in the cities where the cost of living is high, the States would be willing to grant a higher pension.

Mr. VINSON. There is nothing in the bill, as I understand it, Mr. Ellenbogen, that prohibits the States from giving any old-age pension that may enact.

Mr. ELLENBOGEN. I thoroughly understand that, Mr. Vinson; but when the Federal Government lays down the principle that \$15 is one-half of a maximum contribution, the States are most likely to follow, so that \$30 would be the maximum contribution, and I know that you gentlemen realize that, for instance, in the State of New York, while the average old-age pension is somewhere between \$22 and \$23, in New York City it amounts to about \$40, because the cost of living in the cities is higher than the cost of living in the country districts.

Mr. KNUTSON. But the bill we have before us reflects the views of this administration and, as I understand it, it is based upon the result of exhaustive hearings. Now, of course, it is very easy for you to come before the committee and tell us that we ought to raise this and lower that.

Mr. ELLENBOGEN. Will that be taken out of my time?

Mr. KNUTSON. No; I will see that you get more time.

Mr. ELLENBOGEN. Thank you.

Mr. KNUTSON. But I do not think you are contributing anything to this, so far. I thought you were going to have some constructive suggestions.

Mr. ELLENBOGEN. Mr. Knutson, I feel that the fight for old-age pensions has been a long fight. It has been an uphill fight. We are within sight of the goal. I feel that this is the time to give us as liberal system as we can get.

Mr. KNUTSON. Do you not think you can trust the committee to be as liberal as the traffic will bear?

Mr. ELLENBOGEN. Well, I certainly do, and that is why I come before the committee and urge upon the committee the point of view that I represent.

Mr. KNUTSON. I do not think we need any urging to be liberal. We are going to be just as liberal as we can.

Mr. ELLENBOGEN. Why should not the States have the power to make it 60 years or 63 years or 62 years?

Mr. LEWIS. I submit, if you read this act fairly, they do have that power.

Mr. KNUTSON. Certainly.

Mr. ELLENBOGEN. They have the power, Mr. Lewis, but they do not receive a Federal grant in aid for anything under 65 years.

Mr. LEWIS. Oh, certainly not.

Mr. ELLENBOGEN. That is the point.

Mr. LEWIS. The feeling of those who take high responsibility for this administrative measure is that 65 represents the maximum of responsibility they can assume under our conditions. If any fortunate State can add to that by lowering the minimum to 60, God bless them in their purpose.

Mr. ELLENBOGEN. I would like to say to the committee at this point, to be absolutely fair, that there is not a State in the Union that at the present time has a lower age limit than 65 years. Most of the States have an age limit of 70 years, even forward-looking States like New York, Massachusetts, and California; but I should like to have the bill permissive, so that the States, if they desire to have it lower, may have that power.

Mr. KNUTSON. We are going to be just as liberal as we can.

Mr. ELLENBOGEN. Now, I should like to come to one other question.

Mr. KNUTSON. We realize that the things you are advocating are very popular, politically, back home.

Mr. ELLENBOGEN. I feel they are sound, too, economically speaking, Mr. Knutson. I would like to call attention to an administrative question that I feel is of great importance. Now, that related solely to the contributory old-age insurance system and not to the pension system. As the bill is drafted, the amount of the pension depends upon the amount of contributions received from the employer and the employee. Some of us feel that that will be very difficult to administer. It means that there must be maintained by the Social Insurance Board an account for every man, woman, and child in the United States that is insured, which means millions and millions of accounts. We all would have to have at least one sheet or one book account in that system. That would not be the case if the benefit, instead of being graded according to contribution, would be a flat rate. For instance, Great Britain does not do grading. Great Britain has a contributory old-age insurance system, but the benefits paid in Great Britain do not depend on the amount of the insurance. It is a flat rate for all the insured. That, of course, means that those in the lower-income classes receive somewhat more than they have paid for and those in the higher-income classes receive less.

I want to call attention to a few features of the unemployment-insurance program. I should have preferred a Federal system to a State-wide system, and if we are to have a State-wide system, I believe the law should lay down certain minimum grades or standards. The present act does not say that the State act, or the passage of it, is intended to be encouraged. The Federal act should say that the time for benefits must be at least after so many weeks after the employee loses his employment; also a standard amount of benefits and a standard amount of length of payment of benefits. In other words, the Federal act should try to standardize the State acts by providing a minimum amount of benefits under the unemployment-insurance system, a minimum length of time during which the benefits will be paid, and a maximum waiting period.

I also feel that the Federal act should prohibit, in the State unemployment-insurance system, contributions from the employees, because they will have to contribute from $\frac{1}{2}$ to $2\frac{1}{2}$ percent to the Federal old-age-insurance system, and therefore I feel they should not have to contribute to the unemployment-insurance system.

May I have permission to extend my remarks?

The CHAIRMAN. You have that permission.

Mr. ELLENBOGEN. Thank you very much. I appreciate the courtesy of the committee.

The CHAIRMAN. At this point the committee will take a recess until 10 o'clock tomorrow morning. We hope to hold only a morning session tomorrow. We do not except to have an afternoon session.

(Thereupon, at 3:40 p. m., the committee adjourned until tomorrow, Saturday, Feb. 2, 1935, at 10 a. m.)

